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ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

Review of the rates of reimbursement to the Governments of troop-contributing States

Report of the Secretary-General

I. INTRODUCTION

1. The General Assembly, by paragraph 4 of its resolution 44/192 C of 21 December 1989, requested the Secretary-General to complete the review of the rates of reimbursement on receipt of the outstanding information and to submit, through the Advisory Committee on Administrative and Budgetary Questions, his report for the consideration of the Assembly at its forty-fifth session. The present report is submitted in accordance with that request.

2. It is recalled that, in response to General Assembly resolution 42/224 of 21 December 1987, in which the Secretary-General was requested to report at least once every two years on his review of the rates of reimbursement to the Governments of troop-contributing States, the Secretary-General submitted a report to the General Assembly at its forty-fourth session (A/44/500). In that report, it was indicated that, although questionnaires had been sent to 13 troop-contributing States, requesting cost data for utilization in the review of the standard rates of reimbursement for troop costs, replies had been received from only nine States. As a result of the incompleteness of the data received, it was concluded that a realistic basis did not exist to draw conclusions as to the adequacy of the current reimbursement rates, which became effective in December 1980 and are as follows:

(a) $950 per person per month for pay and allowances for all ranks;

(b) $280 per person per month as supplementary payment for specialists, comprising 25 per cent of logistics contingents and 10 per cent for other contingents;

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(c) $65 per person per month for the usage factor for personal clothing, gear and equipment for all ranks;

(d) $5 per person per month for personal weaponry, including ammunition, for all ranks.

II. CONSIDERATIONS

3. The standard rates of reimbursement, which were established with effect from October 1973 and were revised in 1977 and 1980, introduced equality of payment to Governments for providing troops to United Nations peace-keeping forces. In establishing these rates of reimbursement, it was recognized that troops serving side by side should be reimbursed on the same basis for identical services, that no Government should receive a higher reimbursement than its actual costs and that any reimbursement formula based on standard rates may not provide equitable or full reimbursement for the expenses borne by certain of the troop-contributing States in providing such troops. However, the rates should reimburse all troop-contributing States for at least that portion of their cost which was paid to their troops as actual overseas allowances. A report on the review of the background and development of reimbursement to Member States contributing troops to peace-keeping operations was submitted to the General Assembly at its forty-fourth session (A/44/605/Add.1).

4. The four prior reviews of the rates of reimbursement, which have been undertaken since their establishment, have indicated that there are wide variations in troop costs among the Governments providing troops to the peace-keeping forces. Therefore, the current standard rates of reimbursement do not fully compensate all Governments for their troop costs. That portion of the costs which is not compensated for by the standard rates of reimbursement and which is absorbed by the respective troop-contributing States is referred to as the absorption factor.

5. At the time the current rates were established in 1980, the cost to the troop-contributing States for pay and allowances for troops when compared with the reimbursements made by the United Nations showed that the overall average absorption factor among the troop-contributing States was 45.9 per cent.

III. TROOP COSTS

6. At the time (January 1989) that cost data were requested from troop-contributing Governments for the present review of the rates of reimbursement, the United Nations Observer Group in Central America (ONUCA) had not been established. As a result, questionnaires were sent to 13 of the 14 Member States currently providing troops to United Nations peace-keeping operations, namely, Austria, Canada, Fiji, Finland, France, Ghana, Ireland, Italy, Nepal, New Zealand, Norway, Poland and Sweden. The other current troop-contributing State is Argentina, which participates in ONUCA. Replies have now been received from 12 of the 13 Member States surveyed, although one reply was in a format that did not permit

its inclusion in the review. In addition, certain costs included in the data provided by the troop-contributing States, primarily associated with training, were excluded from the review. The results of the analyses of the cost information provided by 11 troop-contributing States are set out in annexes I, II and III to the present report.

7. Annex I lists, in ascending order of magnitude, the average cost per person per month to the troop contributors in respect of pay and allowances of troops (expressed in United States dollars) as well as the corresponding absorption factor (expressed as a percentage). From the distribution, it may be seen that the reported average cost for pay and allowances of troops in December 1988 ranged between $280 and $4,413 per person per month, with an overall average of $2,297 and a median of $2,356. The comparable overall average cost for 1980 was $2,037 and the median cost was $1,944.

8. Annex II provides a distribution, in ascending order, of the average cost per person per month of the usage factor for troops' personal clothing, gear and equipment and personal weaponry (including ammunition), together with the absorption factor indicating the percentage of the costs to each of the troop-contributing States not covered by the current rate of reimbursement of $70. The reported average cost per person per month in December 1988 ranged from $48 to $322, with an overall average cost of $109 and a median cost of $90.

9. A composite of the average costs per person per month for the items covered by the standard rates of reimbursement, that is, pay and allowances, personal clothing, gear and equipment and personal weaponry (including ammunition), is shown in annex III. These composite costs, listed in ascending order of magnitude, indicate a cost range from $396 to $4,736. The overall average cost per person per month amounts to $2,405.

10. Annex IV lists the individual as well as the average absorption factors borne by troop-contributing Governments in respect of pay and allowances only, for the years 1980, 1984, 1986 and 1988. The absorption factors shown in this annex for each of the four years represent those portions of the costs for pay and allowances, including overseas allowances, paid to the troops by the troop-contributing States, which are in excess of the current reimbursement levels. The composition and ranking of troop-contributing States are not the same for each of the four years shown. As can be noted, the average absorption factors for the years 1980, 1984, 1986 and 1988 were 45.9, 34.3, 46.3 and 23.3 per cent, respectively. These average absorption factors indicate that, since 1980, there has not been an appreciable increase for any of the three years surveyed. It is evident, however, that between 1980 and 1988 the median absorption factor has increased. For 1988, the median absorption factor was 58.5 per cent, compared with 48.0 per cent for 1980. The comparable median cost to the troop contributors for each of those years was $2,356 for 1988 and $1,944 for 1980. This translates into an increase in the median cost between 1980 and 1988 of some 21 per cent.

11. It should be noted that at the time the review for 1980 was undertaken, for reasons of confidentiality the troop contributors did not identify in the data submitted to the United Nations Secretariat the individual troop contributors to which the troop costs for pay and allowances were attributable. Consequently, it is not possible to trace the increase or decrease attributable to any individual troop contributor since 1980. However, the cost data provided since 1984 do permit tracking of these changes for those States which have reported data for both of those years. Annex V shows, in ascending order of magnitude, the percentage increase or decrease in the average cost per person per month for pay and allowances on the basis of the reports received from nine of the troop-contributing States, in their national currencies, for the years 1984 and 1988. It shows that there has been an average increase in the cost of pay and allowances of 7.4 per cent for those nine States over the four-year period. For the purposes of confidentiality, the names of the troop-contributing States are not shown.

IV. CONCLUSIONS

12. Annexes I and IV of the present report indicate that the average absorption factor in respect of pay and allowances of troops for 1988 had decreased to 23.3 per cent when compared with the average absorption factor of 45.9 per cent for 1980, the time the current rates of reimbursement were approved. These average absorption factors were derived from costs expressed in United States dollars and, therefore, were reflective of the currency exchange rates utilized at the time the cost data in national currencies were converted into United States dollars. Annex IV, on the other hand, also indicates that for most of the troop-contributing States their absorption factors have increased. This apparent contradiction appears to be due primarily to the conversion of the national currency costs into United States dollars and, in particular, for those States which have experienced wide fluctuations in currency exchange rates owing to official devaluation or substantial market depreciation of their currencies.

13. As can be noted in annex V, between the years 1984 and 1988, there has been an average increase of 7.4 per cent in the cost relating to pay and allowances for troops for the nine troop-contributing States that have reported for both years. This average reflects both increases and decreases in the data reported in national currencies by each troop contributor and, therefore, seems to reflect more realistically the changes that have occurred during the four-year period. If the position were to be taken that the absorption factor of 45.9 per cent that existed in 1980 should also be applied to the increase that has occurred in the national currency cost between 1984 and 1988, then the relative increase would be approximately 4 per cent.

ANNEX I

Average costs, per person per month (pppm) reported by the troop-contributing States under the heading of pay and allowances of troops, and the absorption factor at the current reimbursement rate ($950 plus $280 for a limited number of specialists) in December 1988

	Each troop contributor's average cost, pppm a/ (United States dollars)	Absorption factor b/ (Percentage)
	280	(264.5)
	771	(26.9)
	2 022	51.6
	2 158	52.7
	2 188	55.3
	2 356	58.5
	2 472	58.7
	2 552	60.0
	2 874	65.6
	3 177	67.9
	4 413	76.9
Average	2 297	23.3
Median	2 356	58.5

a/ Conversion from national currencies to the nearest dollar based on the United Nations operational rates of exchange in December 1988.

b/ The portion of the costs to the troop-contributing States not covered by the standard rates of reimbursement.

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ANNEX II

Average costs, per person per month (pppm) reported by the troop-contributing States under the heading of usage factor for personal clothing, gear and equipment and personal weaponry (including ammunition) of troops and the absorption factor at the current reimbursement rate ($70) in December 1988

	Each troop contributor's average cost, pppm a/ (United States dollars)	Absorption factor b/ (Percentage)
	48	(45.0)
	56	(22.4)
	57	(16.6)
	63	(11.7)
	64	(9.8)
	90	22.6
	95	26.5
	117	40.0
	117	40.0
	165	57.6
	322	78.3
Average	109	14.5
Median	90	22.6

a/ Conversion from national currencies to the nearest dollar based on the United Nations operational rates of exchange in December 1988.

b/ The portion of the costs to the troop-contributing States not covered by the standard rates of reimbursement.

ANNEX III

Combined average costs, per person per month (pppm) reported by troop-contributing States for pay and allowances and for personal clothing, gear and equipment and personal weaponry (including ammunition) of troops and the absorption factor at the current reimbursement rates in December 1988

	Each troop contributor's average costs, pppm a/ (United States dollars)	Absorption factor b/ (Percentage)
	396	(174.9)
	866	(21.0)
	2 079	49.6
	2 221	50.9
	2 278	54.0
	2 522	57.1
	2 528	58.1
	2 601	58.4
	2 991	64.6
	3 240	66.4
	4 736	77.0
Average	2 405	30.9
Median	2 522	57.1

a/ Conversion from national currencies to the nearest dollar based on the United Nations operational rates of exchange in December 1988.

b/ The portion of the costs to the troop-contributing States not covered by the standard rates of reimbursement.

ANNEX IV

Summary of absorption factors at the standard current per person monthly reimbursement rate ($950 plus $280 for a limited number of specialists)

Absorption factor a/

(Percentage)

1980	1984	1986	1988
18.6	(38.2)	-	(264.5)
24.7	11.7	(37.0)	(26.9)
37.1	13.6	35.2	51.6
37.8	18.6	37.2	52.7
40.4	28.8	42.5	55.3
48.0	38.8	50.2	58.5
49.7	48.8	56.4	58.7
52.3	50.9	59.8	60.0
57.9	61.9	67.3	65.6
68.9	70.7	71.1	67.9
69.5	72.2	80.4	76.9
Average 45.9	34.3	46.3	23.3
Median 48.0	38.8	53.3	58.5

a/ That percentage of the costs of the troop-contributing States not covered by the standard rates of reimbursement.

ANNEX V

Percentage change in the average cost per person per month (pppm) for pay and allowances for nine of the troop-contributing States between 1984 and 1988

	Increase/decrease
	Average cost pppm in national currency 1988 over 1984
	(Percentage)
	(21.6)
	(18.9)
	(9.6)
	0.5
	7.4
	23.3
	26.6
	27.6
	30.9
Average	7.4
Median	7.4

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DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION: FOOD PROBLEMS

Trends in the international market for agricultural and tropical products and the liberalization of international agricultural trade

Report of the Secretary-General

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I. INTRODUCTION

1. In its resolution 1989/88 of 26 July 1989, the Economic and Social Council requested the Secretary-General, in consultation with the World Food Council (WFC), the United Nations Conference on Trade and Development (UNCTAD) and the Food and Agriculture Organization of the United Nations (FAO), to submit to the General Assembly at its forty-fifth session an updated comprehensive report on trends in the international market for agricultural and tropical products and on the liberalization of international agricultural trade.

2. In addition to updating information provided in the earlier report on trade and commercial policy measures affecting trade in agricultural and tropical products (E/1989/97), the report highlights developments in the Uruguay Round on multilateral trade negotiations concerning those products and provides estimates of the likely impact of trade liberalization in tropical and agricultural products on the prospects for developing countries increasing their share of world trade in these products.

II. SUMMARY

3. World trade in agricultural products grew by 5 per cent in 1989 to reach $410 billion. Food products accounted for nearly 80 per cent of this value and agricultural raw material for the remaining 20 per cent. The share of agriculture in world merchandise trade has been, however, on a declining trend since the Second World War, falling from 46 per cent in 1950 to 13 per cent in 1989. The value of world trade in agriculture has not declined in absolute terms, but its growth has been much slower than that of the world trade in other products both because of slower growth of the volume of trade and because of a declining trend in world prices of agricultural products relative to the prices of other merchandise, particularly manufactures.

4. Whereas developed market-economy countries continue to dominate world trade in agricultural products, the developing countries remain highly dependent on the production and export of agricultural products. For example, in 1988, whereas agriculture accounted for only 2.5 per cent of gross domestic product of countries of the Organisation for Economic Co-operation and Development (OECD), it accounted for 10 per cent in Latin America and the Caribbean, 22 per cent in East Asia, 33 per cent in South Asia and 34 per cent in sub-Saharan Africa. As regards employment, in 1988 more than 60 per cent of the labour force of developing countries derived their income from the agricultural sector, compared with 6 per cent in the developed market-economy countries. This much greater dependence on agricultural production in developing countries is accompanied by a high dependence on agricultural exports. The share of agricultural products in total merchandise exports ranges from 50 per cent to 100 per cent for the majority of developing countries.

5. Despite the overwhelming dependence of the developing countries on agricultural exports, they accounted for less than a third of world exports of all agricultural

products in 1989. Their share in world agricultural exports declined steadily during the 1970s, rose somewhat in the period 1981-1985 and fell again in the latter part of the 1980s, to now stand at around 27 per cent. In contrast, the share of the developed market economy countries has been on a rising trend over the same period. On the import side, since 1985, countries of Eastern Europe and the developing countries have registered declining shares in world food imports, this being due in the latter case principally to balance-of-payments and debt-servicing difficulties. There has been a corresponding rise in the share of the developed market-economy countries in world food imports due to increased intra-trade. Agricultural trade among developing countries has continued to grow in the 1980s and to a small degree has compensated for the much slower growth in their exports to traditional markets in developed countries. However, while intra-trade might provide important additional outlets, the markets of developed countries remain essential for agro-export dependent developing countries.

6. Supply and demand imbalances on agricultural markets have been considerably aggravated by the agricultural policies of the major producers. A number of developed market-economy countries, in particular, have pursued policies of protection and support for the agricultural sector, which have severely reduced domestic demand for imports, while generating surpluses that are dumped on world markets. Both effects have contributed to lowering prices on world markets for the affected products and for their substitutes. Subsidized exports from the developed countries have affected in particular developing country exports of meat, sugar, wheat and vegetable oils. In addition, a variety of measures have been used by Governments to restrict import access, ranging from conventional tariffs to a complex array of non-tariff measures. The overall cost of the agricultural policies pursued by OECD countries, as measured by the sum of transfers from taxpayers (net of budget receipts from tariffs) and consumers (through higher prices), was an estimated $251 billion in 1989. Although this was lower than the peak value of $290 billion recorded in 1987, it was still above the already high level for the first half of the 1980s.

7. A major feature of the structure of tariffs and non-tariffs measures affecting agricultural (and in particular tropical product) exports of developing countries is the tendency for tariffs to escalate with the stage of processing and for non-tariff measures to weigh more heavily on commodities in their processed forms. Many products of export interest to developing countries are particularly hit by such escalation of trade barriers. This has had a negative impact on the efforts of developing countries to enhance their participation in world agricultural trade in processed products.

8. At the world level, agricultural output growth slowed in the second half of the 1980s. This has been the case especially for developed countries, where in 1986-1989 the yearly rate was 0.5 per cent compared to 1.9 per cent in 1981-1985. In particular, in North America agricultural production declined by an annual average of 0.7 per cent during 1986-1989, reflecting three consecutive years of decline not fully compensated by a recovery in 1989. Output virtually stagnated during 1986-1989 in Western Europe and Oceania and rose only moderately in Eastern Europe and the Union of Soviet Socialist Republics with large year-to-year

fluctuations. In the developing countries, production varied widely and overall registered also a lower growth than in 1981-1985. At the regional level the pattern was one of sustained growth in the Far East; mediocre performances in Latin America and the Caribbean where output lagged behind population growth; marked instability in the Near East with virtually no progress overall; and a continuing poor performance in Africa where production growth fell below the already inadequate levels of the early 1980s both in total and per caput terms.

9. A significant feature of trade in agricultural products in 1989 was the continued firmness in the export prices of several major commodities following the price upsurge of 1988. Prices of cereals, livestock products, sugar and certain vegetable oils strengthened further. In contrast, the prices of major tropical products, already depressed, were weaker. The collapse in coffee export prices is estimated to have caused a loss in earnings of more than $1.5 billion in 1989. Prospects for 1990 are for relatively tight markets for cereals, livestock products and sugar, with the likelihood of a decline in cereal prices depending on production developments. The prices of tropical beverages and rubber are expected to remain depressed.

10. The capacity of developing countries to enhance their food security through trade continued in 1989 to be precarious. Their external position was further hindered by the weakness of export prices of some major tropical commodities, while food prices on international markets continued to strengthen. These prices increases have added to the difficulties faced by many food-deficit developing countries as their access to food imports is already constrained by low foreign exchange earnings and the burden of external debt servicing. Meanwhile, the volume of food aid fell in 1988/89, and is expected to decline further in 1989/90.

11. The world stock of basic food commodities (cereals, sugar, dairy and meat products) declined in 1989 for the third consecutive year. With little replenishment of global cereal stocks foreseen in 1990/91 despite an anticipated increse in production and global stocks still at a minimum, world food security will remain precariously balanced in the period ahead.

12. The current Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT) provides an opportunity to liberalize international trade in agricultural and tropical products. The elimination or reduction of governmental agricultural support measures and protection in industrialized countries would go a long way to improve the long-term prospects for increasing the share of developing countries in world agricultural trade. Empirical studies indicate, however, that for a transitional period some developing countries, in particular those in African and the least developed countries, could suffer export losses in tropical products from the erosion of trade preferences. Also, empirical analyses suggest that the reform process in agriculture is likely to lead to higher world food prices, at least for a transitional period, with adverse consequences over a period for the external position and welfare of net-food importing countries, especially low-income food-deficit countries. These eventualities point to the need in the reform process to take into account the special role of agriculture in the development process and the need in developing countries to encourage food production for

feeding their population, as well as to adopt measures to offset the possible adverse effects of the reform process on net food-importing developing countries and on low-income countries likely to suffer significant export losses due to the erosion of preferential margins.

III. WORLD PRODUCTION AND TRADE OF AGRICULTURAL AND TROPICAL PRODUCTS

A. Introduction

13. Agricultural products, including temperate zone and tropical products, are a major component of international trade. Many countries, in particular the developing countries, are basically dependent on the production and trade of such products. For the developing countries, this dependence rests largely (with a few exceptions) on tropical products.

14. The developing countries are highly dependent, in both absolute and relative terms, on the production and export of agricultural products. For example, in 1988, whereas agriculture accounted for only 2.5 per cent of gross domestic product in OECD countries, it accounted for 10 per cent in Latin America and the Caribbean, 22 per cent in East Asia, 33 per cent in South Asia and 34 per cent in sub-Saharan Africa. As regards employment, in 1988 more than 60 per cent of the labour force of developing countries (Africa, 69 per cent; Latin America, 27 per cent; Near East, 41 per cent; and Far East, 61 per cent) derived their income from the agricultural sector, compared with 6 per cent in the developed market-economy countries. This much greater dependence on agricultural production in developing countries is accompanied by a high dependence on agricultural exports. The share of agricultural products in total merchandise exports ranges from 50 per cent to 100 per cent for the majority of developing countries.

15. A distinction should be made between those agricultural products which are produced chiefly by the developing countries and for which there are no close substitutes in the developed countries (e.g. tropical products such as coffee, cocoa, tea, spices, bananas and natural rubber) and those which are produced by or have close substitutes produced by the developed countries (e.g. cereals, livestock, including dairy products, edible oils and sugar). The latter category of products accounts for the bulk of world agricultural trade in value. The developed countries are the major exporters of these products, apart from sugar.

16. Tables 1 and 2 illustrate the significance for developing countries of trade in tropical products. The figures in table 1 give an indication of developing countries' participation in world exports of various categories of agricultural products, including tropical products. While these countries' shares in exports of basic food products are low, ranging from 2 per cent for dairy products to 44 per cent for edible oils, their shares in exports of tropical products are high, above 60 per cent for tropical beverages (coffee, tea, cocoa), fruits and nuts, spices, rubber and jute. The product groups defined in the table relate to exports in their raw, semi-processed and processed forms. Consequently, developing countries' shares in exports of these product groups in their raw form are actually higher than those given in the table, since developed countries' participation in this trade involves mainly processed products. Table 2 gives some examples of the high dependence on tropical products for the export earnings of a number of developing countries, in particular the least developed among them.

Table 1

Share of developing countries in world agricultural exports, by product category

(Percentage)

	1979-1981	1986-1988
Cereals	13	12
Meat	14	13
Dairy products	2	2
Edible oils	44	44
Sugar	67	70
Tropical beverages	85	81
Spices	81	77
Tobacco (unmanufactured) and roots	43	43
Tropical fruits and nuts	72	72
Rubber and tropical wood	77	74
Jute and hard fibres	78	74

Source: FAO Trade Yearbook and UNCTAD calculations.

Table 2

Exports of selected tropical products a/ as a percentage of total exports, 1986-1987

Product	Principal exporters (percentage) b/
Coffee	Uganda (97.8); Burundi (82.5); Guatemala (81.0); Rwanda (73.8); El Salvador (66.3); Ethiopia (66.2); Colombia (47.6); United Republic of Tanzania (47.5); Nicaragua (39.5); Madagascar (37.9); Cameroon (34.0); Kenya (33.5); Costa Rica (32.5); Honduras (30.5); Haiti (27.1); Zaire (24.0); Yemen (20.6); Central African Republic (20.2); Côte d'Ivoire (16.5); Sierra Leone (16.0); Papua New Guinea (15.3); Togo (13.0); Ecuador (12.6); Dominican Republic (12.5)
Cocoa	Ghana (52.8); Equatorial Guinea (31.8); Côte d'Ivoire (30.3); Cameroon (22.7); Sierra Leone (13.3); Togo (11.5); Samoa (11.1); Vanuatu (10.7)
Tea	Sri Lanka (28.8); Kenya (21.0); Malawi (12.3); Rwanda (9.0)
Rice	Myanmar (30.6); Suriname (13.3); Pakistan (8.6); Thailand (7.2)
Tobacco, manufactured	Malawi (57.6); Zimbabwe (18.9)
Spices	Comoros (93.1); Rwanda (57.6); Madagascar (29.5)
Oilseeds	Vanuatu (31.2); Paraguay (26.8); Gambia (17.8); Tuvalu (14.3); Sudan (9.3)
Fixed vegetable oils	Samoa (29.3); Tonga (19.1); Gambia (13.3); Benin (12.3); Malaysia (9.1)
Sugar	Cuba (75.2); Fiji (47.3); Mauritius (38.0); Guyana (37.0); Dominican Republic (18.5); Barbados (12.3); Malawi (9.6)

Source: As for table 1.

a/ SITC groups (3-digit).

b/ Figures in brackets show the share in total exports of the country.

17. While developing countries are highly dependent on exports of tropical agricultural products, they are also dependent as a group, with a few exceptions, on imports of temperate (competing zone) agricultural products, that is, basic foodstuffs. For example, imports into developing countries of the four food categories (cereals, dairy products, meat and edible oils) averaged about $30 billion annually in 1986-1988, with cereals alone accounting for half of this amount. Total food imports of developing countries, over the same period, averaged nearly $50 billion annually (see table 3). The gross food imports of net food-importing developing countries accounted for about 82 per cent of this amount, while the net food imports of such countries totalled around $28 billion annually. Twenty-six developing countries were net exporters with net exports averaging about $18 billion annually in 1986-1988.

18. If attention is focused only on the four basic food categories (cereals, dairy products, meat and edible oils) and sugar, only a few developing countries are net exporters. For example, in a sample of developing countries selected on the criterion of having average annual imports in 1986-1988 of at least $50 million in respect of one of the five product groups indicated, only a few had a positive trade balance for all the products combined. Such countries included Brazil, Cuba, the Dominican Republic, Malaysia, the Philippines and Thailand. If sugar is excluded, Cuba and the Dominican Republic had overall negative trade balances.

Table 3

Aggregate food trade of developing countries, 1986-1988 a/

(In millions of United States dollars)

	Gross food b/ imports	Gross food exports	Net food imports
Developing countries (122)	49 403.1	39 373.2	10 030.0
Net exporters (26)	8 773.7	27 156.9	-18 383.2
Net importers (96)	40 629.4	12 216.2	28 413.2

Source: FAO Agrostat files and UNCTAD calculations.

a/ Data rounded. Negative sign (-) indicates net exports.

b/ "Food" is defined by FAO to include all products which are considered edible and contain nutrients in their raw or processed forms. For the present purpose the following commodities have been excluded from the definition: cocoa beans and products and other tropical beverages, fish and fishery products, feedingstuffs (SITC 08), alcoholic beverages, tropical fruits and spices and live animals.

19. Developing countries that do not import in substantial amounts any of the food products just mentioned and that are overall net exporters of these products, include Argentina, Belize, Chad, Costa Rica, Fiji, Guyana, Malawi, Mali, Mauritius, Myanmar, Namibia, Paraguay, Suriname, Swaziland, Uruguay and Zimbabwe. In fact, only Argentina and Uruguay are net exporters in each of the food categories mentioned. If sugar is excluded, the trade balances of Belize, Fiji, Guyana, Malawi and Swaziland become negative.

B. Global and regional trends in production and trade

1. Production

20. World and regional trends in total agricultural and food production in the 1980s are indicated in table 4. At the world level, the growth of agricultural output slowed in the second half of the 1980s. Whereas world agricultural production expanded by 2.9 per cent between 1981 and 1985, it fell to an annual rate of growth of 1.5 per cent between 1985 and 1989. However, agricultural output experienced a recovery in 1989. All regions, except Eastern Europe and the Union of Soviet Socialist Republics, experienced a slower pace of growth in food and agricultural production in the second half of the 1980s. In the case of the developed market economy countries, the rate of growth for this period is negative. For the most recent year, 1989, this rate of growth has accelerated for the developed countries reflecting a sharp recovery in agricultural production in North America after three consecutive years of decline and faster growth in Eastern Europe and the Soviet Union. Output growth in Western Europe and Oceania was negative. In the case of the developing countries, the rate of growth in food and agricultural production decelerated sharply in 1989, in comparison with 1988, for all developing regions, except the Asian centrally planned economies. For the Near East, the rate turned considerably negative.

21. With regard to per capita food production, total food production lagged behind population growth in 49 out of the 72 developing countries (68 per cent) that recorded significant changes (above or below 1 per cent) in per capita food production between 1985 and 1989. Out of these 72 countries, per capita food production fell significantly in about 80 per cent of the total number of countries in Africa, about 65 per cent of those in the Near East and Asia and the Pacific, while in Latin America and the Caribbean about the same number of countries experienced increases or declines in per capita production. However, food production exceeded population growth in several of the most populous developing countries, for example, China, India, Indonesia, Brazil and Colombia. By contrast, in Africa countries with declining per capita production accounted for an overwhelming majority of the region's population.

Table 4

Annual changes in food and agricultural production, 1985-1989

(Percentage)

	1985	1986	1987	1988	1989	Average annual change 1981-85	Average annual change 1986-89
Food							
Developing market economies	4.7	1.4	-	6.1	1.7	3.2	2.3
Africa	8.3	4.6	-2.7	3.7	1.3	2.7	1.7
Far East	3.2	0.9	-0.8	8.1	4.1	3.9	3.1
Latin America	4.7	-0.8	3.2	4.8	1.3	2.8	2.1
Near East	6.5	4.4	-0.3	4.7	-6.9	2.6	0.5
Asian centrally planned economies	2.1	4.0	4.0	0.6	2.9	5.2	2.9
Total developing countries	3.8	2.2	1.3	4.3	2.1	3.8	2.5
Developed market economies	1.7	-1.0	-0.9	-3.5	4.7	1.9	-0.2
North America	5.6	-4.0	-2.7	-7.4	11.6	3.1	-0.6
Oceania	0.9	0.7	-1.9	4.6	-3.7	3.0	-0.1
Western Europe	-2.2	1.5	0.6	-1.2	-	1.1	0.2
Eastern Europe and the USSR	0.1	6.9	-1.0	0.2	2.6	2.0	2.2
Total developed countries	1.2	1.2	-0.9	-2.4	4.1	1.9	0.5
WORLD	2.6	1.7	0.3	1.2	3.0	2.9	1.5
Agriculture							
Developing market economies	5.0	0.6	0.4	5.8	1.5	3.3	2.1
Africa	8.5	4.5	-2.2	3.6	1.6	2.7	1.9
Far East	3.7	0.5	-0.8	7.8	3.9	4.0	2.8
Latin America	5.1	-2.4	4.2	4.2	0.9	2.9	1.7
Near East	5.9	3.6	-0.4	4.8	-6.6	2.4	0.4
Asian centrally planned economies	1.1	2.3	5.0	1.2	2.7	5.6	2.8
Total developing countries	3.7	1.1	1.9	4.3	1.9	4.0	2.3
Developed market economies	1.8	-1.5	-0.4	-3.2	4.1	1.9	-0.2
North America	5.4	-4.9	-1.5	-6.9	10.3	3.1	-0.7
Oceania	2.8	0.6	-1.2	4.5	-2.7	3.0	0.3
Western Europe	-2.1	1.5	0.5	-1.1	-0.1	1.1	0.2
Eastern Europe and the USSR	0.5	6.3	-1.2	0.2	3.9	1.9	2.3
Total developed countries	1.4	0.8	-0.6	-2.2	4.1	1.9	0.5
WORLD	2.7	1.0	0.7	1.4	2.9	2.9	1.5

Source: FAO.

22. As regards the commodity composition of agricultural growth in the 1986-1989 period, world cereal production increased only marginally in 1986-1989 reflecting an overall decline in developed countries and a slowdown in growth in developing countries to half the average rate of 1981-1985 (see table 5). The shortfall in developed countries was due to the prolonged drought in North America, a sharp decline in the output of Oceania, particularly of coarse grains, and overall stagnation in Western Europe. On the other hand, cereal production rose nearly 3 per cent yearly in Eastern Europe and the Soviet Union. Among developing regions, growth in cereal production was favourable only in the Far East, despite the poor monsoon in 1986 and 1987, which resulted in growth in paddy output in 1986-1989 being well below the previous high rates. For all other developing regions, the period was characterized by generally mediocre or poor cereal harvests, both in terms of their domestic requirements - none of them succeeded in increasing per capita cereal production - and in relation to the average levels of 1981-1985.

23. The vegetable oils sector has been among the most dynamic despite a slow-down in production growth in developed countries in the 1986-1989 period. Faster growth in developing countries more than offset the slow-down in developed countries and resulted in the former increasing their share in the sector to nearly two thirds of the total. Among other food products, growth of root crop production was negative in the developed countries, low in Latin America and Africa, but accelerated moderately in the other major producing regions. Sugar production expanded moderately in 1986-1989 in both developed and developing countries. Growth in output of animal products, particularly milk, slowed in developed countries in recent years reflecting efforts by developed countries to reduce structural surpluses as well as relatively high feed prices. However, developing countries achieved significant increases in both milk and meat production. Tropical beverages showed disparate trends, with cocoa bean production recovering strongly in some main producing countries in Africa, but remaining stagnant in Latin America and the Caribbean since 1986; coffee output recorded large fluctuations in Latin America and the Caribbean, mainly as a consequence of weather-related shortfalls in 1986 and 1988 in Brazil; and tea output increased at a sustained rate on a global level.

Table 5

Agricultural production, by commodity

(Percentage)

	Developed countries			Developing countries			World		
	Average annual change		Change 1988 to 1989 a/	Average annual change		Change 1988 to 1989 a/	Average annual change		Change 1988 to 1989 a/
	1981-85	1986-89		1981-85	1986-89		1981-85	1986-89	
Total cereals b/	3.3	-0.5	15.1	3.8	1.6	0.7	3.4	0.4	7.0
Wheat	0.4	1.3	7.1	6.4	2.3	4.8	2.5	1.7	6.1
Rice, paddy	2.3	-0.9	-0.6	3.6	1.9	3.4	3.4	1.7	3.2
Coarse grains	5.5	-1.1	21.2	2.6	0.6	-6.5	4.1	-1.0	10.1
Root crops	3.5	-1.4	3.0	0.6	1.6	3.3	1.6	0.5	3.2
Pulses	9.6	6.8	6.4	2.9	2.0	3.6	4.6	3.3	4.6
Vegetable oils	3.9	2.2	8.6	4.8	6.8	4.5	4.4	4.9	6.0
Sugar, centrifugal (raw)	-0.4	1.1	2.8	2.8	1.7	0.5	1.4	1.4	1.5
Cocoa beans	-	-	-	3.5	6.3	1.1	2.9	5.9	1.1
Coffee	4.6	-15.0	2.9	0.8	3.8	3.7	-0.8	3.8	3.7
Tea	1.3	-0.9	9.3	5.8	3.0	-1.5	5.2	2.6	-0.5
Cotton lint	3.9	4.1	6.5	6.9	-	-5.1	5.3	1.5	-0.8
Tobacco	1.1	-2.5	4.9	9.4	3.1	7.8	6.3	1.4	7.0
Total meat	1.3	1.8	0.3	4.4	4.3	5.2	2.4	2.8	2.1
Total milk	1.4	0.3	0.7	3.8	3.3	2.9	2.0	1.1	1.3
Hen eggs	0.9	0.5	-1.9	8.2	4.4	0.7	3.6	2.2	-0.7

Source: FAO.

Note: Percentage changes have been calculated from unrounded figures.

a/ Preliminary.

b/ Including rice in terms of paddy.

2. Trade and trends in market shares

24. World trade in agricultural products amounted to $410 billion in 1989. Food products accounted for 80 per cent of this trade and raw materials for the remaining 20 per cent. The share of agriculture in world merchandise trade has been on a declining trend since the Second World War, falling from 46 per cent in 1950 to 13 per cent in 1989. The value of world trade in agriculture has not declined in absolute terms, but its growth has been much slower than that of the world trade in other products (7 per cent per annum as against 10.5 per cent between 1950 and 1989) both because of a slower growth of the volume of trade and because of a declining trend in world prices of agricultural products relative to the prices of other merchandise, particularly manufactures. The developed market economy countries continue to dominate world trade in agricultural products. From 1967 to 1984 these countries switched from being aggregate net importers to aggregate net exporters. In contrast, the share of developing countries in world imports has increased, although they remain substantial net exporters.

25. Despite the overwhelming dependence of the developing countries on agricultural exports, they accounted for less than a third of world exports of all agricultural products by the end of the 1980s. Their share in world agricultural exports declined steadily during the 1970s, rose somewhat in the period 1981-1985 and fell again in 1986-1988. In contrast, as can be seen from table 6, the share of the developed market economy countries in world exports of food and agricultural raw materials increased from about 58 per cent to 66 per cent and from about 55 per cent to 65 per cent, respectively, between 1970 and 1988. The countries of Eastern Europe registered a decreasing trend in their share of world exports of food and agricultural raw materials in both the 1970s and 1980s.

26. While agricultural exports account for relatively small proportions of the non-fuel export earnings of both the developed market economy countries and the countries of Eastern Europe, representing by the end of the 1980s 12 per cent and 8 per cent of their non-fuel exports, respectively, by comparison the average for developing countries was 22 per cent, and for the least developed countries 52 per cent. Thus, developing countries, which depend heavily on agricultural products for their foreign exchange earnings, are in a minority position in this export sector, often in competition with exports from developed countries. There have been substantial losses in the world market shares of developing countries in products such as meat, cereals, sugar, dairy products, vegetable oilseeds and oils and cotton. In recent years, as can be seen from table 1, the share of developing countries in world agricultural exports in several product categories has continued to decline.

27. On the import side, as table 6 also shows, the share of the developed countries in world imports of agricultural products has generally tended to decline in the 1970s and 1980s. In the case of food products, there is a reversal of trend since 1980 due to increased trade among developed market economy countries, particularly that of the European Economic Community (EEC), and an upward trend in Japanese food imports. Since 1985, countries of Eastern Europe and the developing countries have registered declining shares in world food imports, this being due in the latter case principally to balance-of-payments and debt-service difficulties.

Table 6

Shares in world agricultural export and import (values) of various groups of countries

		Developing countries	Developed market economy countries						Socialist countries		World
			EEC a/	USA	Japan	EFTA a/	Others	Total	Eastern Europe	Asia	
All food items											
Exports	1970	33.5	28.6	14.9	1.5	2.6	10.3	57.7	7.0	1.8	100
	1975	29.7	31.6	18.1	0.7	2.1	10.1	62.6	5.7	2.1	100
	1980	29.6	34.7	18.0	0.8	2.2	9.3	64.8	4.1	1.5	100
	1985	32.4	35.3	14.1	0.8	2.4	9.1	61.7	3.7	2.3	100
	1986	31.2	39.3	12.0	0.7	2.5	8.1	62.5	3.6	2.7	100
	1987	28.1	42.6	11.8	0.7	2.7	8.0	65.7	3.4	2.7	100
	1988	27.1	41.7	13.6	0.6	2.4	8.1	64.5	3.2	2.6	100
Imports	1970	18.0	42.6	12.5	6.1	5.0	5.3	71.6	8.8	1.6	100
	1976	22.7	39.8	8.1	7.9	4.1	4.7	64.7	11.4	1.3	100
	1980	25.2	39.0	7.9	7.0	3.9	3.9	61.7	11.3	1.8	100
	1985	25.2	36.6	10.3	8.0	3.3	4.7	63.0	11.0	0.9	100
	1986	21.7	41.0	10.1	8.6	3.9	4.6	68.3	9.1	1.0	100
	1987	20.4	43.3	9.2	9.0	4.0	4.5	70.0	8.4	1.3	100
	1988	21.6	42.5	8.4	4.6	3.8	4.3	68.7	8.3	1.4	100
Agricultural raw materials											
Exports	1970	33.5	11.4	11.4	0.3	12.5	19.7	55.4	9.9	1.2	100
	1975	28.1	13.8	13.6	0.4	12.8	18.2	58.9	11.5	1.5	100
	1980	30.4	13.9	15.3	0.3	11.8	18.9	60.2	7.9	1.5	100
	1985	25.5	16.3	14.4	0.3	10.1	21.6	62.8	8.7	3.0	100
	1986	24.1	18.4	13.0	0.4	10.6	21.4	63.8	8.7	3.4	100
	1987	23.6	14.8	14.1	0.3	10.4	21.7	65.4	7.6	3.5	100
	1988	24.5	18.0	14.0	0.4	9.9	22.9	65.1	7.3	3.1	100
Imports	1970	11.4	42.0	9.3	16.7	4.0	4.2	76.3	11.3	1.0	100
	1975	14.4	39.4	9.0	16.2	4.7	4.4	73.7	10.5	1.5	100
	1980	15.7	39.4	7.9	18.3	4.3	3.8	73.8	7.4	3.2	100
	1985	18.7	35.7	11.2	15.2	4.4	4.4	70.9	7.8	2.5	100
	1986	18.2	37.7	10.5	14.0	5.1	4.3	72.4	6.8	2.6	100
	1987	18.4	37.7	9.8	16.4	5.2	3.9	73.0	6.2	2.5	100
	1988	18.4	37.1	9.7	16.9	5.0	3.7	72.4	6.3	2.8	100

Source: UNCTAD, Commodity Yearbook, 1990, forthcoming.

a/ Prior to 1970, EEC included Belgium, Federal Republic of Germany, Italy, Luxembourg, Netherlands; EFTA included Austria, Denmark, Iceland, Norway, Portugal, Sweden, Switzerland, United Kingdom. From 1970, EEC included Denmark, Ireland and the United Kingdom. From 1980, EEC included Greece, Spain and Portugal. EEC figures include intra-trade.

/...

For agricultural raw material imports, both the developed market economy countries and the countries of Eastern Europe display a generally declining trend in their world import share. In contrast, for the developing countries the trend has been upwards since 1970.

28. Developed market economy countries have traditionally been and still remain the major markets for the agricultural exports of the developing countries. However, these markets, increasingly protected, have grown relatively slow for such products. Since the 1970s world exports of food products to developed market economy countries have grown at a much slower rate than world exports of the same items to other groups of countries. This is in large measure a reflection of domestic agricultural policies and protection adopted by these countries which impact has been to reduce dependence on imports through increased domestic production. The growth in exports of developing countries of food items to developed market economy countries has been much slower than that achieved in all other markets. As a result, the share of exports of the developing countries of food items received by developed market economy countries declined from an average of 73 per cent for the period 1966-1970 to 62 per cent for the period 1985-1987. The share of the latter countries in the exports of developing countries of agricultural raw materials also declined over the same period, from 65 to 57 per cent. In the case of countries of Eastern Europe, they have received an increased share of the exports of developing countries of food products, but a reduced share of agricultural raw materials between the periods 1966-1970 and 1985-1987.

29. By contrast there was a significant expansion of trade in agricultural products among the developing countries themselves with the result that the developing country market was the only one to absorb a larger share of exports of the developing countries of both food and agricultural raw materials. In the case of food, the share rose from 17 per cent in the period 1966-1970 to 23 per cent in the period 1985-1987, and in that of agricultural raw materials from 19 to 31 per cent over the same period. It should be noted, however, that while trade among developing countries might provide much-needed additional outlets for the volume of products that developing countries are capable of exporting, in so far as these countries, especially the agricultural export-dependent ones, continue to have large and persistent balance-of-payments deficits with the developed countries (because of heavy debt service obligations and essential capital goods imports), they will also need to expand their exports to these countries.

C. Current situation and short-term prospects for international agricultural markets, including food security

30. The volume and value of agricultural trade in 1989 are estimated to have increased by 4 per cent and 5 per cent, respectively, a growth performance below the previous year's levels of 5 per cent and 14 per cent, respectively. As agricultural output recovered in 1989, the growth in the volume of exports declined slightly as countries, especially developed countries, were able to supply more of their food needs from domestic output.

31. A significant feature of trade in agricultural products in 1989 was the continued firmness in the export prices of several major commodities following the price upsurge of 1988. Prices of cereals, livestock products, sugar and certain vegetable oils strengthened further. In contrast, the prices of major tropical products, already depressed, were weaker. The collapse in coffee export prices is estimated to have caused a loss in earnings of more than $1.5 billion in 1989.

32. World cereal production in 1989 is estimated to be 1,867 million tons, a recovery of just over 6 per cent from the drought-hit level of 1988. Cereal stocks at the end of the 1989/90 season, however, are expected to fall further to around 296 million tons, their lowest level since 1982. At this level, cereal stocks are expected to be equivalent to only 17 per cent of the global cereal consumption estimated for 1990/91.

33. Prospects for 1990 are for relatively tight markets and volatile prices. The group of commodities most susceptible to price fluctuations in 1990 is the basic food commodities. First, because of the reduction in stocks in the previous three years, the cushion of surplus stocks so characteristic of the mid-1980s no longer exists. Second, although the underlying tone of world markets will be firm, actual price levels are likely to be volatile, depending on market views of weather conditions in the principal production areas. Third, the degree of volatility will depend on whether output in 1990 is also sufficient to allow the prospect of some stock rebuilding in the 1990/91 marketing year.

34. At the end of 1989, however, exportable supplies of cereals were uncomfortably low and the world cereal economy would be operating in 1990/91 with stocks about the minimum level considered necessary by FAO to ensure global food security. Of particular concern were the low levels of wheat stocks. For dairy and meat products the policy actions by developed countries in the second half of the 1980s to reduce surpluses have again been successful in cutting stocks. As it remained unlikely that countries would wish to see surpluses of these stocks restored, prices paid in international trade for both dairy and meat products were expected to remain firm at around 1989 levels. Sugar stocks were expected to decline further in 1990 as consumption continued to exceed production. This led to higher prices in 1989 and was likely to lead to still stronger prices in 1990. As with cereals, however, actual prices would depend on the market's perception of growing conditions for the 1990 crops and whether any unexpected change were to occur in import purchases.

35. The principal commodities for which prices in 1990 were likely to be similarly depressed, as in the latter part of 1989, were coffee and cocoa. The oversupply that had built up for both commodities was no longer being held back by international commodity agreements, thereby leaving the surplus to press directly on world markets.

36. For agricultural raw materials the slowing of world economic growth expected in 1990 could lead to a slackening pace of demand and subdued world market prices. However, both demand and prices were expected to be maintained at reasonably firm levels for most agricultural raw materials, and even to strengthen further for cotton and hides and skins. Rubber was expected to be the main exception, with prices in 1990 likely to remain under pressure until surplus stocks are worked off.

37. The capacity of developing countries to enhance their food security through trade continued in 1989 to be precarious. Their external position was further hindered by the weakness of export prices of some major tropical commodities while food prices on international markets continued to strengthen. These price increases have added to the difficulties faced by many food-deficit countries whose access to food imports is already constrained by low foreign exchange earnings and the burden of external debt service.

38. Despite some improvements over the past two years, the food situation in Africa remains unsatisfactory. The early harvest outlook for 1990 cereal crops is poor in Ethiopia and the Sudan, pointing to a likely need for continued substantial emergency food assistance in 1991. Serious food emergencies continue in Angola and Mozambique, which will also continue to need substantial emergency food assistance. Food shortages are also becoming acute in Liberia, where civil strife has disrupted agricultural activities so that a poor harvest later this year is now inevitable. At the same time, the world refugee population has risen and a number of low-income food-deficit countries will continue to suffer from serious balance-of-payments constraints and slow growth in domestic food production.

39. As regards food aid, total shipments in cereals during 1989/90 (July/June) are estimated by FAO at 11.5 million tons. This total includes shipments to Poland and Romania of about 2.5 million tons, representing 22 per cent of total shipments. However, these supplies were financed from funds outside donors' regular food aid budgets. Shipments to traditional food aid recipients is estimated at 9.8 million, representing a decline from last year's level by about 1.3 million tons (see table 7).

40. Some donors provided part or all of their food aid pledge in the form of cash for the purchase of commodities in developing countries. Such triangular transactions and local purchases amounted to over 1.2 million tons of cereals during 1989/90, about the same level as during the past two years. Member countries of the European Community accounted for over half of the total and Japan for about one fourth. Other countries that have financed this type of transaction include Australia, Austria, Canada, Finland, Norway, Sweden and Switzerland.

41. As regards cereal food aid shipments to low-income food-deficit countries, a marginal increase is expected in 1990/91 from the level of about 8.5 million tons that they have received during the past two years. This will continue to be well below the over 10 million tons level provided to them during the 1984/85-1987/88 period. Thus, food aid in cereals will remain at around 14 per cent of total cereal imports by low-income food-deficit countries for the third consecutive year, compared to an average of about 22 per cent in earlier years (see table 8).

Table 7

Volume of food aid

(Thousands of tons)

Product/country	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Cereals	9 137	9 849	12 442	10 904	12 494	13 593	11 113
(grain equivalent)							
Argentina	33	30	51	42	24	23	21
Australia	349	460	466	345	364	323	333
Austria	29	11	13	29	17	8	13
Canada	843	817	943	1 204	1 240	1 138	1 102
China	6	31	92	54	-	1	4
EEC a/	1 596	1 917	2 498	1 601	1 583	2 699	2 223
Finland	28	40	20	5	41	3	25
India	10	-	100	-	76	-	-
Japan	449	445	234	432	467	626	463
Norway	36	16	45	31	46	69	31
Saudi Arabia	13	29	71	99	115	7	24
Sweden	87	83	88	69	74	115	144
Switzerland	29	30	39	22	58	56	47
USA	5 375	5 655	7 536	6 675	7 861	8 043	6 315
Others	254	285	246	296	228	482	368
Non-cereals	755	987	1 022	1 070	1 385	1 705	956
of which:							
Vegetable oil	344	343	384	525	634	903	499
Canada	32	40	42	70	72	78	27
EEC	11	18	15	20	68	70	58
USA	290	271	310	418	458	709	384
Others	11	14	17	17	36	46	30
Dairy products	326	464	432	441	440	294	154
EEC	134	236	136	135	124	174	128
USA	168	196	273	293	285	82	6
Others	20	32	23	13	31	38	20
Others	85	180	206	104	311	508	303

Source: World Food Programme, 1990, "Review of food aid policies and programmes".

a/ Including food aid from both the Commission of European Communities and individual member countries.

Table 8

Share of food aid in cereal imports of developing countries

(Percentages)

	1976/77	1987/88	1988/89 (preliminary)	1989/90 (forecast)
Total developing countries	15.5	11.7	8.3	7.9
Food deficit countries	15.2	11.0	7.8	7.6
Low-income countries a/	26.1	20.3	13.4	14.4
Africa	32.6	29.5	23.0	22.7
Far East	23.3	10.6	6.7	8.3
Latin America	13.5	80.7	55.0	50.0
Near East	19.4	31.0	5.8	6.7
Oceania	2.0	-	-	-
Other countries b/		2.9	2.6	2.2
Africa	4.7	5.3	3.8	3.8
Far East	4.3	-	0.1	-
Latin America	1.0	6.2	6.1	5.5
Near East	6.0	1.4	0.6	0.6
Oceania	11.8	-	5.0	-

Source: FAO, "Assessment of the current world food security situation and outlook" (cfs: 90/2), January 1990.

a/ Includes all food-deficit countries with per caput income below the level used by the World Bank to determine eligibility for IDA assistance (i.e., with per caput income of $US 940 and below in 1987) which in accordance with the guidelines and criteria agreed by the CFA should be given priority in the allocation of food aid.

b/ Food-deficit developing countries other than low-income.

IV. MARKET ACCESS ISSUES CONCERNING INTERNATIONAL TRADE

A. Introduction

42. The international market for agricultural and tropical products is affected by a variety of policy measures applied by Governments. These measures include border protection (tariffs, tariff escalation and non-tariff measures) to limit import access, internal support policies (subsidies in various forms to domestic producers) the effect of which is to raise domestic production higher than it would otherwise be, thus reducing domestic demand for imports or leading to higher export availability, and export subsidies (which distorts competition among exporting countries). While policies falling into one or more of these categories are applied by many Governments, those applied in the markets of the industrialized countries, because of the importance of these markets in international trade, have the greatest impact on the world market.

43. It is useful in an analysis of government measures affecting trade to distinguish between agricultural products that are produced chiefly by the developing countries and for which there are no close substitutes in the industrialized countries (for example, tropical products such as coffee, cocoa, tea, spices, bananas and natural rubber) and those which are also produced by or have close substitutes produced by the industrialized countries (for example, sugar dairy products, oilseeds, grains and meat). In the former case, trade policies (generally relying on tariffs and internal consumption taxes) have been aimed at revenue-raising (a heritage from earlier times) and/or protection of domestic processor, while in the latter case the higher the level of self-sufficiency sought or export-market share desired, the greater has been the use of measures of a more trade distoring kind.

B. Tropical products

44. While there is no agreed definition of tropical products, the following seven product groups have formed the basis for negotiations in the current Uruguay Round of multilateral trade negotiations under the auspices of GATT: (a) Tropical beverages (coffee and coffee products, cocoa and cocoa products, tea and instant tea); (b) spices, flowers, plants, etc. (spices and essential oils, cut flowers, plants, vegetable materials, lacs, etc. and products thereof); (c) certain oilseeds, vegetable oils and oilcakes; (d) tobacco rice and tropical roots (tobacco and tobacco products, rice, manioc and other tropical roots, and products thereof); (e) tropical fruits and nuts (bananas, and banana products, tropical fruits and nuts and products including fruit juices); (f) tropical wood and rubber (tropical wood and wood products, natural rubber and rubber products); and (g) jute and hard fibres. These product groups are used here for illustration in a discussion of government measures relevant to market access issues concerning international trade in tropical agricultural products.

1. Tariffs and tariff escalation

45. Tariffs, especially high tariffs, are an important barrier to trade for many tropical products. This is true in particular for processed cocoa, coffee and tea, fresh and preserved vegetables and fruits, processed roots and manufactured tobacco. Table 9 shows the (unweighted) average tariffs currently applied by major developed market-economy countries to imports of tropical products. With the exception of product groups (b) and (c) above, high MFN tariffs (as compared with average tariffs in the importing countries) are applied on all subgroups of products by at least one of the countries considered. Austria, the EEC, Finland and Japan apply high tariffs on most of the groups and subgroups. High average levels of MFN tariffs are applied in particular on tobacco in Austria (80 per cent), the EEC (57 per cent), Japan (0-35 per cent), the United States (50 per cent) and Australia (37 per cent). Tariffs are also high on processed fruit and fruit juices in Japan (26 per cent), the EEC (22 per cent), Finland (25 per cent) and Austria (20 per cent). Cut flowers face particularly high tariffs of 66 per cent in Finland. They are 20 per cent in the EEC and 19 per cent in Canada.

46. As the rates shown in the table represent averages for the tariff lines relevant to the products listed, they mask peaks in tariffs facing specific products at the tariff-line level. For instance, ground pepper, capsicum and pimento and seeds of badian face most favoured nation (MFN) duty rates of 12.5 per cent, 12 per cent and 23 per cent, respectively in the EEC; bananas face an MFN rate of 18.5 per cent in the EEC and 30 per cent in Japan; in Canada duties of 10 per cent are imposed on prepared nuts, other nuts and mixtures, though the average for tropical nuts is 2.5 per cent, and certain vegetable oils face MFN duties of 17.5 per cent, while the average for oilseed, vegetable oils and oilcakes taken together is 7.4 per cent; prepared pineapples and pineapple juices face high tariffs in the EEC (23-32 per cent and 20-40 per cent, respectively) and in Japan (30-50 per cent and 22.5-17 per cent, respectively); MFN rates of 25 per cent are applied on manioc in the United States and Japan.

47. Generalized system of preferences (GSP) rates are relatively high in Australia on tobacco, wood and rubber products as well as on tropical nuts and essential oils; in Austria on tobacco, rice, jute, coffee and spices; in Canada on rubber, wood, tobacco and cocoa; in the EEC on tobacco, prepared fruits, cut flowers, nuts, rice, coffee and cocoa; in Japan on manioc, bananas, tropical nuts, tea, cocoa and coffee; in Finland on tobacco; in Norway on tobacco and rice; and in Switzerland on tobacco, bananas, prepared fruits and coffee. GSP rates in Sweden (except for cut flowers and veneers of wood) and in the United States (except for manioc and tapioca) are generally zero.

48. A major feature of the structure of tariffs affecting tropical product exports of developing countries is the tendency for tariffs to escalate with the stage of processing. Products especially affected by such escalation of trade barriers are tropical beverages, spices, vegetable plaiting material, oilseeds and vegetable oils, tropical fruits and nuts, tobacco, rice, manioc, roots and tubers. For example, analysis of the escalation of tariffs in the three main world markets (the EEC, Japan and the United States) with respect to tropical products show that

TABLE 9

Tariffs a/ on tropical products applied in selected developed market-economy countries

(Per cent or ad valorem equivalent)

	Australia		Austria			Canada			EEC				Japan			Finland			Norway			Sweden			Switzerland			USA	
	MFN	GSP	MFN	GSP	LDC	MFN	GSP	LDC	MFN	GSP	LDC	ACP	MFN	GSP	LDC	MFN	GSP	LDC	MFN	GSP	LDC	MFN	GSP	LDC	MFN	GSP	LDC	MFN	GSP
Coffee	2.0	0.0	16.2	11.4	0.0	0.6	0.0	0.0	12.8	8.7	0.0	0.0	16.1	5.0	0.0	10.7	9.4	0.0	2.8	0.0	0.0	0.0	0.0	0.0	7.7	6.1	3.3	0.0	0.0
Cocoa	2.0	0.0	12.3	2.3	1.4	1.7	1.2	0.0	10.6	8.8	0.0	0.0	10.8	7.5	0.0	4.1	0.0	0.0	0.7	0.0	0.0	0.2	0.0	0.0	3.6	1.4	0.0	0.1	0.0
Tea	1.0	0.0	10.0	0.0	0.0	2.9	0.0	0.0	5.7	0.0	0.0	0.0	13.0	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.0	0.0	0.0
Spices	0.0	0.0	22.0	8.6	4.2	0.0	0.0	0.0	8.9	4.0	0.0	0.0	3.9	0.0	0.0	3.9	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	3.6	0.0	0.0	2.1	0.0
Cut flowers	0.0	0.0	8.2	0.3	0.0	7.6	0.0	0.0	20.3	12.3	0.0	0.0	0.0	0.0	0.0	66.1	0.0	0.0	2.6	0.0	0.0	10.8	0.0	0.0	4.5	0.0	0.0	6.3	0.0
Plants	6.7	2.2	3.4	2.0	0.0	4.3	3.0	3.0	13.0	12.0	0.0	0.0	4.9	0.4	0.0	3.6	0.0	0.0	4.5	0.0	0.0	1.5	0.0	0.0	2.3	0.0	0.0	2.8	0.0
Essential oils	10.0	5.0	0.5	2.5	0.0	5.0	0.0	0.0	4.1	0.0	0.0	0.0	4.0	0.0	0.0	4.3	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.0	0.9	0.0
Oilseeds	10.2	0.0	9.6	0.0	0.0	7.6	4.0	0.0	6.3	5.9	0.0	0.0	4.1	2.4	0.0	9.3	0.0	0.0	3.4	0.0	0.0	3.8	0.0	0.0	0.3	0.0	0.0	4.3	0.0
Tobacco	37.0	30.0	80.4	80.4	80.4	13.0	5.6	0.0	57.0	45.1	0.0	0.0	5.7	5.7	5.7	19.2	15.2	15.2	5.0	5.0	0.0	3.6	0.0	0.0	16.9	16.9	16.9	50.2	0.0
Rice	1.6	0.0	27.6	27.6	27.6	0.4	0.0	0.0	12.0	12.0	0.0	0.0	10.0	10.0	10.0	12.5	0.0	0.0	3.7	3.7	0.0	0.0	0.0	0.0	7.3	0.0	0.0	10.2	0.0
Manioc	10.0	5.0	0.0	0.0	0.0	1.1	0.7	0.0	11.3	0.0	0.0	0.7	18.0	18.0	18.0	6.9	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	2.7	0.4	0.0	11.3	0.0
Bananas	5.2 b/	0.0	11.8	2.7	2.7	5.8	0.0	0.0	18.5	0.0	0.0	0.0	30.0	19.0	0.0	20.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.9	16.9	16.9	2.3	0.0
Tropical nuts	12.0	6.8	2.0	0.0	0.0	2.5	0.0	0.0	4.8	2.0 c/	0.0	0.0	18.0	6.7	0.0	3.3	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	6.6	0.0
Tropical fruits	5.2 b/	0.0	4.1	0.0	0.0	0.8	0.0	0.0	7.8	2.0 c/	0.0	0.0	9.1	4.0	0.0	3.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	4.4	1.6	0.0	22.2 d/	0.0
Processed fruits and juices	8.4	2.9	20.0	4.3	0.0	11.9	2.5	0.0	22.5	11.4	0.0	0.0	25.5	9.6	0.0	24.8	0.0	0.0	11.1	0.0	0.0	0.9	0.0	0.0	13.7	11.9	0.0	22.2 d/	0.0
Wood	16.8	11.8	9.6	5.4	0.0	6.8	5.2	0.0	4.2	0.0	0.0	0.0	6.1	0.2	0.0	2.8	0.0	0.0	2.7	0.0	0.0	1.7	0.0	0.0	4.7	0.0	0.0	4.3	0.0
Rubber	23.8	12.0	7.0	3.5	0.0	10.3	6.5	0.0	3.0	0.0	0.0	0.0	2.9	0.0	0.0	16.4	0.0	0.0	3.8	0.0	0.0	5.1	0.0	0.0	1.1	0.0	0.0	4.3	0.0
Jute	5.6	2.0	12.0	10.7	8.3	6.2	3.1	0.0	7.2	0.0	0.0	0.0	8.4	0.2	0.0	18.9	0.0	0.0	4.7	0.0	0.0	6.3	0.0	0.0	3.7	0.0	0.0	3.3	0.0

Source: Computations based on GATT tariff study, 1986 computer files.

a/ Simple average of post-Tokyo MFN duty rates and preferential rates applied in 1986.

b/ Average for bananas and tropical fruits.

c/ Average for nuts and fruits.

d/ Average for fruit, fresh and dried, processed fruit and fruit juices.

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differences in MFN rates at high and low stages of processing are in many cases of more than 10 percentage points and in some instances even more. The effective protection afforded to the processing industries through escalation of tariffs is therefore likely to be higher than what is indicated by nominal tariffs. Significant tariff escalation is observed in the EEC for tropical beverages, oilseeds, and vegetable oils (in which a 25 per cent tariff is applied on margarine as against duty-free treatment for the starting raw material), tobacco (for which the duty on the processed product is much higher than the already high nominal tariff on raw tobacco), rice, manioc (the duty on starches being five times the duty on the raw material), tropical nuts (the nominal tariff on processed nut is seven times higher than that for unshelled crude nuts), tropical fruit (tariffs escalate from 8 per cent on fresh fruit to 11.3 per cent for preserved fruit and to 23.6 per cent for prepared fruit and fruit juices) and vegetable textile fibres, where the raw fibres have duty-free entry. In Japan, zero or very low duty rates are applied on raw products, while the processed products reach very high nominal tariffs on coffee, cocoa, oilseeds and vegetable oils, tobacco and rice. Significant tariff escalation is also observed for manioc roots and tubers, tropical nuts and fruit. In the United States escalation in tariffs on tropical products is in general less important, though in some cases it may be a serious obstacle to access of processed tropical products, as in the case of oilseeds and vegetable oils, tropical fruit and rubber.

49. Although GSP and other preferential rates are much smaller than MFN rates, the former rates also possess an escalated structure in a number of cases. For example, this is true of the GSP rates applied by the EEC and Japan to certain tropical products, such as coffee, cocoa, vegetable oils, tobacco, and tropical fruits and nuts. There is also a degree of escalation in the preferential tariff rates granted by the EEC to ACP countries on coffee, vegetable oil and tropical fruits. In several of the markets referred to earlier, zero tariff rates are generally applied to tropical products when imported for least developed countries. Finally, it should be noted that in many cases where preferential duties are low or zero, import access is effectively controlled by non-tariff measures.

2. Non-tariff measures

50. All developed market-economy countries rely on non-tariff measures of one sort or another to control the import of agricultural products, including tropical products. Trade in tropical products is hampered in particular by import quotas (global, bilateral and seasonal), restrictive licensing and selective taxes. Other non-tariff measures distorting trade on tropical products include variable levies, minimum import prices, State monopolies of imports, anti-dumping and countervailing actions and phytosanitary regulations.

51. Calculations of the trade intervention indicators (the trade coverage ratio and the frequency ratio) with regard to seven groups and to the whole sector of tropical products, using trade flows for 1986 as base year, are presented in table 10. Although the trade coverage ratios for imports into developed market-economy countries of tropical products are lower than for total imports and than for other product sectors, high levels of trade intervention are observed, in

Table 10

Import coverage and frequency ratios a/ of non-tariff measures affecting tropical products in selected developed market economy countries b/ in 1989

Product group	Imports of developed market-economy countries from developing countries in 1986		Import coverage ratios of:					
	Millions of dollars	Share of imports from world	All non-tariff measures c/	Sub group d/	QRs	AD/CV actions	Variable duties	Taxes e/ and charges
All tropical products	35 648	60	7.2	4.5	4.2	1.0	2.5	13.9
Tropical beverages	15 997	93	1.1	0.7	0.7	0.0	0.0	29.7
Spices, flowers, plants	1 810	53	15.2	2.8	2.8	8.0	0.0	0.7
Oilseeds, vegetable oils	2 102	42	2.6	2.2	0.6	0.4	0.0	1.7
Tobacco, rice, tubers	2 619	57	38.5	37.6	37.5	0.9	32.3	2.5
Fruit and nuts	2 974	77	25.0	9.4	7.0	0.0	0.9	2.3
Wood and wood articles	9 527	39	2.1	0.5	0.5	1.6	0.0	0.0
Jute and hard fibres	621	52	20.0	15.3	15.3	3.0	0.0	0.0

Product group	Import flows of developed market-economy countries from developing countries in 1986		Frequency ratios of:					
	Number of flows	Share of flows from world	All non-tariff measures c/	Sub group d/	QRs	AD/CV actions	Variable duties	Taxes e/ and charges
All tropical products	24 843	45	12.1	8.7	7.5	0.6	2.0	3.4
Tropical beverages	1 992	69	9.8	7.8	7.1	0.0	0.0	25.3
Spices, flowers, plants	5 725	50	10.0	2.7	2.7	0.2	0.0	1.9
Oilseeds, vegetable oils	1 363	43	7.3	6.8	3.1	0.2	0.0	3.9
Tobacco, rice, tubers	2 086	59	22.2	20.1	18.2	0.2	15.1	3.4
Fruit and nuts	3 256	56	20.6	17.5	11.4	0.0	5.6	3.4
Wood and wood articles	8 235	37	3.1	1.8	1.8	1.2	0.0	0.0
Jute and hard fibres	2 192	38	33.7	28.3	28.3	0.8	0.0	0.0

(Source and footnotes on following page)

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(Source and footnotes to table 10)

Source: UNCTAD Trade Control Measures Information System.

Note: QRs = quantitative restrictions; AD/CV = anti-dumping/countervailing.

a/ Ratios have been computed using 1986 import trade weights. Computations were made at the tariff-line level and results aggregated to relevant product group levels.

b/ Austria, Canada, EEC (10), Finland, Japan, New Zealand, Norway, Switzerland and the United States.

c/ All selected non-tariff measures, which include certain para-tariff measures, import deposits and surcharges, variable levies, anti-dumping and countervailing actions, quantitative restrictions (including prohibitions, quotas, non-automatic licensing, State monopolies, "voluntary" export restraints and restraints under MFA and similar textile arrangements), import surveillance, automatic licensing and price control measures.

d/ Sub-group of non-tariff measures (all selected non-tariff measures, excluding para-tariff measures, import deposits and surcharges, anti-dumping and countervailing actions, automatic licensing and import surveillance).

e/ Ratios for taxes, which include internal taxes levied on imports, excise taxes, and selective taxes on tropical products, are not included in calculations of ratios for all non-tariff measures or for the sub-group of non-tariff measures.

terms of both trade coverage and frequency ratios, with regard to particular groups of tropical products. The ratio of imports covered by one or more types of non-tariff measures is particularly high (15.2 per cent) for spices, flowers, plants, essential oil etc., reflecting the imposition of mainly anti-dumping and countervailing actions and quantitative restrictions; the trade coverage ratio of 38.5 per cent for tobacco, rice, roots and tubers results mostly from quantitative restrictions, although a high proportion of imports in this group are affected by variable duties, taxes and charges; the high ratio for fruits and nuts (25.0 per cent) results also from the imposition of quantitative restrictions and taxes and charges on these products; and for jute and hard fibres (20.0 per cent) it reflects the imposition of quantitative restrictions and anti-dumping and countervailing actions. The ratio of imports covered by taxes and charges (the former not being included in the total for all non-tariff measures considered) is particularly high for tropical beverages, owing to the incidence of selective taxes.

52. Non-tariff measures applied in the principal developed market-economy countries against imports of tropical products are shown in table 11. Although Governments rely less on taxes on tropical products as source of revenue, internal fiscal charges on sugar, and selective taxes on bananas and tropical beverages (cocoa, coffee and tea) are still significant in certain countries where, for the most part, imports from developing countries provide the bulk of domestic consumption. In most cases the incidence of the taxes is higher for low-priced goods than for high-priced goods. Quantitative restraints are applied mainly to imports of oilseeds and vegetable oils, roots and tubers, bananas and other tropical fruit and hard fibres. Variable levies are applied to several products (e.g. sugar, rice and roots) to restrain imports in the EEC, while anti-dumping and countervailing actions have been undertaken in the United States to control imports of tropical products competing with similar domestically produced products.

Table 11

Non-tariff measures applied in the principal developed market-economy countries against imports of tropical products

Product group	EEC	Japan	USA
Coffee			
Raw	NAL a/	STX b/	
	BEL,DNK,FRG,ITA:STX		
Roasted, ground	NAL a/	STX b/	
	BEL,DNK,FRG,ITA:STX		
Extracts, preparations	NAL a/	STX b/	
	BEL,DNK,FRG,ITA:STX c/		
Tea			
In bulk	DNK,FRG,FRA:STX		
For retail sale	DNK,FRG,FRA:STX		
Extracts, essences	DNK,FRG,FRA:STX c/		
Cocoa			
Beans	DNK,FRA,ITA:STX		
Paste	DNK,FRA,ITA:STX		
Butter	DNK,FRA,ITA:STX		
Powder	DNK,FRA,ITA:STX	STX d/	
Sugar			
Raw	L;VL	IA;VL	Q;FIF
Refined	L;VL	IA;VL;GQ	Q;FIF
Molasses	L;VL		Q;FIF
Spices			
Underground/ unprocessed	ESP:SRV e/		
Ground/processed	ESP:SRV f/		
Oilseeds, vegetable oils			
Oilseeds	AL g/	GQ k/	GQ (peanuts)
	FRA;SRV g/	OLM (hemp seeds)	
	PRT,ESP:Q		
Vegetable oils	ESP,PRT:QR f/		AD(BRA);CVD(BRA)
Fatty acids, fatty alcohols	FRA,ESP:QR		CVD(BRA)
Tobacco			
Unmanufactured	FRA:SMI	SIA	
Manufactured	FRA,ESP:SMI		ETX

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Table 11 (continued)

Product group	EEC	Japan	USA
Rice			
Unmilled	L;VL; PRT:SMI	SMI;GQ	CVD(THA)
Milled/processed	L;VL	GQ	CVD(THA)
Manioc, roots, tubers			
Fresh, dried	VER(BRA,IDN,THA); L;VL		
Flour	VER j/ (THA);L:VL		
Meal, starches	VER j/ (THA);L:VL	GQ	
Bananas			
Fresh, dried	ESP,FRA,GBR,GRC, ITA,PRT:QR ITA:STX	ST	
Flour, prepared	ITA:STX	ST	
Tropical fruit, nuts			
Fresh, dried	ESP,FRA,PRT,GRC:QR k/		ST (mangoes)
Preserved	PRT:QR i/		
Prepared:			
fruit juices	VL m/ FRA,ITA,PRT:QR o/	GQ n/	ETX
Tropical wood			
In the rough			
Simply worked	U(BRA);AD(ARG,CHE,YUG)		
Veneers, plywood			
Wood articles	U(SGP); DNK:Q(KOR)		
Rubber			
Natural rubber			
Simple manufactures		GQ (rubber	AD(JPN,OAN)
Tyres, tubes	U(OAN,KOR)	adhesives)	AD(KOR,OAN)
Other articles			

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Table 11 (continued)

Product group	EEC	Japan	USA
Jute and hard fibres			
Raw			
Processed			
Yarns			CVD(MEX)
Woven fabrics	FRA,GBR:Q; ESP:LIC p/	IA	CVD(ARG,MEX,THA)
Made-up articles	FRA:QR q/ ESP:LIC p/ GQ r/ IRL:LIC(HKG,JPN,MAC, MYS,PAK,YUG)	IA(CHN)	
Sisal, henequen			
Raw			
Processed			
Twine, cordage	VER(BRA,MEX)	IA	CVD(MEX,THA)

Source: UNCTAD Trade Control Reference Information System.

Notes: The following comments, which the Japanese authorities have provided to the UNCTAD secretariat in relation to the information contained in the data base, are relevant for the non-tariff measures shown for Japan:

1. Sugar, VL and bananas, ST: Tariff quotas, seasonal tariffs and price differential duties (classified as variable levies) should be regarded not as non-tariff measures but as tariff.

2. Tobacco, SIM: Imports of unmanufactured tobacco has been liberalized and no agency or company has the exclusive right to import the item, although the importation is in effect dependent on purchases by Japan Tobacco Inc.

3. Sugar, IA: An import authorization may be required for imports originating in countries which are not participating in the International Commodity Agreement. This measure need not be operational at any particular point in time.

a/ For imports from countries non-members of the International Commodity Agreement.

b/ The removal of the tax was proposed in the tax reform bill.

c/ Instant coffee and instant tea.

(Footnotes to table 11)

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d/ Unsweetened cocoa powder.

e/ Pepper, pimento and thyme.

f/ Pepper, crushed or ground.

g/ Oilseeds for sowing.

h/ Groundnuts not for oil extraction.

i/ In conformity with article 94 of the Act of Accession.

j/ Thailand agreed to "voluntary" restrain its exports to the EEC.

k/ On pineapples (France, Portugal and Spain) and on other fresh tropical fruits under HS 0810 (France, Greece and Spain).

l/ On other fruit, provisionally preserved (HS 0812.90).

m/ For products containing sugar.

n/ Fruit purees and pastes; prepared pineapples and pineapple juice.

o/ On fruit juices (France, Italy, Portugal) and on juices, marmalades and prepared fruit (Portugal).

p/ Licensing requirements for imports from all sources except Bangladesh, India and Thailand.

q/ For sacks and bags of jute.

r/ Applied on floor coverings of coir.

Abbreviations

AD	anti-dumping duty action	NAL	non-automatic licensing
BP	basic import price	OIM	other import measures
CVD	countervailing duty action	Q	quota
SURV	import surveillance	QR	quantitative restriction
ETX	excise tax	SIA	sole import agency
TAR	additional import duties	SMI	state monopoly of imports
FIF	flexible import fees	SRV	surveillance licence
IQ	import quota	ST	seasonal tariff
GQ	global quota	STX	selective tax
IA	import authorization	VER	"voluntary" export restraint
L	import certificate	VL	variable levies
LIC	licence	U	undertaking

(Footnotes to table 11)

Countries and areas against which the measures are applied (when they are not applied on imports from all sources) are indicated in brackets (see country or area abbreviations below).

EEC country abbreviations

BEL	Belgium
DNK	Denmark
ESP	Spain
FRA	France
FRG	Germany
GBR	United Kingdom of Great Britain and Northern Ireland
GRC	Greece
ITA	Italy
PRT	Portugal

Other country or area abbreviations

ARG	Argentina
BRA	Brazil
CHE	Chile
CHN	China
HKG	Hong Kong
IDN	Indonesia
JPN	Japan
KOR	Republic of Korea
MAC	Macau
MEX	Mexico
MYS	Malaysia
OAN	Uganda
PAK	Pakistan
SGP	Singapore
THA	Thailand
YUG	Yugoslavia

C. Agricultural products

53. Agricultural products, other than tropical products and for which considerable production exists in industrialized countries, are subject to a wide range of government policy measures. National agricultural support policies have played the major role in determining supply availabilities in various countries. Whereas national support policies, including producer subsidy programmes, were originally motivated by a desire to retain a minimum domestic agricultural capacity for national food security reasons, to provide assistance to rural areas in fulfilment of social policy objectives and to stabilize agricultural markets, they have in a number of cases led to structural over-capacity in the agricultural sectors of these industrialized economies. Furthermore, in order to bolster domestic policy measures, Governments have instituted a variety of trade policy measures - ranging from conventional tariffs to a complex array of non-tariff measures (including, variable levies, minimum prices, global and bilateral quotas, "voluntary" export restraints, sanitary and phytosanitary regulations) - to restrict imports of agricultural products. Additionally, countries that are exporters of agricultural products have also used export measures in support of domestic policy objective. As a result of government policies in the agricultural sector, some developed countries that were previously major importers have increasingly become self-sufficient in agriculture or have gone beyond the stage of self-sufficiency to become large exporters of a wide range of agricultural products. An important result has been not only to reduce, or shut off, the traditional markets for developing countries but also to displace, often through subsidized exports, developing countries on world markets. Subsidized exports from the developed countries have affected developing country exports, especially to third countries, of cereals, meat, dairy products, oilseeds/vegetable oils and sugar.

54. Industrialized countries provide substantial support to the domestic production of agricultural products by way of transfers to producers from taxpayers through government budgets and from consumers through higher domestic prices for agricultural products. These transfers occur through a wide variety of support programmes and an array of trade measures which either restrict import access or dispose of surpluses on world markets.

55. An aggregate measure, in monetary terms, of all transfers to farmers effected through domestic support programmes and trade measures is the producer subsidy equivalent (PSE). The latest estimates of PSEs for major farm commodities by the OECD secretariat are reported in table 12. Agricultural support in 1987, at $173 billion, was the highest of the decade. In that year producers obtained almost 50 per cent of their agricultural income from these transfers. Since then, there have been a relative decline in transfers, to $160 billion in 1988 and $1[illegible] billion in 1989. This still leaves, however, total agricultural support in O[illegible] countries above its already high level for the first half of the 1980s (an average of around $100 billion for 1979-1985).

56. In absolute terms, as table 12 shows, the EEC ($53 billion), Japan ($34 billion) and the United States ($32 billion) account for the bulk of agricultural support in the OECD area. It is noteworthy that on a percentage basis Switzerland, Norway, Finland and Japan have the highest rates of assistance (over

Table 12

Agricultural support in terms of producer subsidy equivalent (PSE)

Country	PSE (In millions of United States dollars and (in brackets) as percentage of production value)				
	1979-1985 (Average)	1986	1987	1988 a/	1989 b/
Australia	1 044 (11)	1 370 (16)	1 179 (11)	1 309 (10)	1 304 (10)
Austria	972 (29)	1 868 (49)	2 388 (51)	2 349 (49)	1 920 (44)
Canada	3 956 (30)	6 364 (49)	6 502 (48)	6 071 (43)	5 256 (35)
EC c/	35 832 (35)	62 413 (50)	68 388 (48)	62 453 (43)	53 016 (38)
Finland	2 146 (57)	3 249 (68)	3 795 (73)	4 164 (74)	4 450 (72)
Japan	19 904 (64)	34 117 (75)	35 314 (76)	37 065 (75)	33 686 (72)
New Zealand	711 (23)	912 (33)	363 (14)	274 (7)	206 (5)
Norway	1 663 (71)	2 063 (76)	2 517 (76)	2 639 (76)	2 579 (74)
Sweden	1 560 (42)	2 501 (60)	2 612 (58)	2 448 (52)	2 244 (47)
Switzerland	2 529 (67)	3 667 (80)	4 617 (82)	4 919 (80)	4 254 (75)
United States	28 472 (26)	44 684 (42)	45 625 (40)	39 308 (35)	32 260 (27)
OECD total	98 790 (34)	163 210 (51)	173 298 (49)	162 998 (45)	141 176 (39)

Source: Estimates by the OECD secretariat, in Agricultural Policies, Markets and Trade: Monitoring and Outlook, Paris, 1990.

a/ Estimate.

b/ Provisional.

c/ EC of the Ten for 1979-1985, and EC of the Twelve since then.

70 per cent). In contrast, New Zealand (5 per cent) and Australia (10 per cent) have the lowest rates.

57. Estimates of producer subsidy equivalents for specific commodities are given in table 13, expressed as a proportion of sales receipts for each commodity. As may be seen, this proportion is quite high, in particular for products such as sugar, cereals, beef and veal, which are of major trade interest to many developing countries. The table also shows that there has been considerable increases in recent years in the support given to the listed products by the major trading countries.

58. While recent declines in PSEs might indicate progress towards reduced support, PSE movements also reflect changes in international prices and exchange rates. The decline in 1988 was largely the result of increases in world market prices and that in 1989 was largely due to higher world prices and exchange rate movements (lower internal prices expressed in United States dollars), rather than reflecting changes in support policies. In fact, most policy changes implemented in 1988 and 1989 involved only marginal adjustments to administered support prices or in levels of production entitled to price support.

59. Agricultural support policies, particularly those which are based on market price support, raise prices to consumers considerably above the levels that would prevail in the absence of policy interventions. The consumer subsidy equivalent (CSE) for OECD countries rose from $66 billion in 1979-1985 to $132 billion in 1987. In 1988 the CSE fell to an estimated $122 billion, almost exclusively on account of the increase in international prices that reduced the gap between domestic consumer and import prices. Provisional figures for 1989 suggest a further decline in the CSE, to $104 billion, due to a combination of lower internal and higher world prices.

60. Agricultural support policies often include export measures, involving significant budget outlays, such as direct export subsidies and credits and other export aids. In addition to these direct export measures, price and income support programmes such as dual pricing schemes and deficient payments can also lead to greater export supply availabilities through their stimulating effect on domestic production. Export subsidies have become a major source of disputes in agricultural trade in recent years because of their use to dispose of production in excess of domestic requirements on world markets. Because subsidized exports can lower world market prices and can be used to capture market share, they inflict income losses on non-subsidizing exporters. However, they provide income transfers to importing countries of agricultural products benefiting from subsidies. The share of export subsidies in the 1986-1988 average levels of agricultural support (in terms of PSEs) in six OECD countries is indicated in table 14. This share has ranged from 0.3 per cent for New Zealand to 43.7 per cent for the EEC. For 1989, export subsidies continued to be utilized by a number of OECD countries, including the EEC, the United States, Switzerland, Norway, Austria, Finland, Canada and Sweden, for particular agricultural exports. For example, direct export subsidies for agricultural products by the EEC totalled 9.3 billion ECUs ($10.2 billion), in terms of restitution payments, and by the United States around $770 million, in terms of total funds allocated to its export enhancement programme (EEP).

Table 13

Net percentage producer subsidy equivalents a/ for selected commodities and countries, 1979-1985, 1988 and 1989

Commodity	Australia			Canada			EEC b/			Japan			New Zealand			United States		
	1979-1985	1988	1989	1979-1985	1988	1989	1979-1985	1988	1989	1979-1985	1988	1989	1979-1985	1988	1989	1979-1985	1988	1989
Wheat	9	11	11	22	45	26	28	30	24	95	97	92	6	16	7	24	39	25
Coarse grains	7	8	9	20	26	23	32	34	35	96	99	98	10	3	2	18	41	31
Rice	24	27	25	-	-	-	38	52	51	76	90	86	-	-	-	25	53	41
Sugar (refined equivalent)	8	16	14	16	21	19	54	71	52	67	72	65	-	-	-	43	61	51
Milk	28	34	29	63	72	78	52	60	52	83	90	84	23	3	2	60	56	51
Beef and veal	11	9	9	37	51	42	47	56	55	62	64	60	14	4	4	33	41	30
Pork	5	5	4	9	18	25	6	6	5	42	59	56	18	2	1	6	8	8
Poultry	5	4	4	28	30	12	21	35	24	18	14	14	30	31	35	6	12	7

Commodity	Austria			Finland			Norway			Sweden			Switzerland		
	1979-1985	1988	1989	1979-1985	1988	1989	1979-1985	1988	1989	1979-1985	1988	1989	1979-1985	1988	1989
Wheat	27	68	48	59	80	77	61	79	72	29	35	20	70	11	81
Coarse grains	23	48	51	54	87	78	76	85	82	25	32	26	71	18	84
Rice	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sugar (refined equivalent)	57	74	70	69	85	77	-	-	-	51	45	45	73	17	77
Milk	43	55	47	65	76	73	78	80	79	64	68	62	72	12	76
Beef and veal	44	56	58	59	75	76	68	75	74	47	60	61	75	18	86
Pork	5	24	11	35	50	53	47	53	47	20	35	35	44	57	45
Poultry	15	40	51	52	76	76	56	69	65	60	85	88	78	36	84

Source: As for table 12.

a/ The PSE expressed as a percentage shows the ratio of total assistance to the total value of receipts from sales of the respective commodity.

b/ EEC of the Ten for 1975-1985, and EEC of the Twelve since then.

/...

Table 14

Share of export subsidies in 1986-1988 average levels of agricultural support

(Percentage)

	Australia	Canada	EEC	Japan	New Zealand	USA
Export subsidies as % of total net PSEs	19.3	10.6	43.7	1.5	0.3	8.2

Source: OECD Economic Studies, Modelling the Effects of Agricultural Policies, No. 13/Winter 1989-1990, table 2, p. 137.

61. Because PSE and CSE estimates neither cover all agricultural products nor include all transfers due to agricultural policies, they do not by themselves provide a complete picture of all the transfers generated by agricultural policies. To complete the picture, it is necessary to combine all transfers from consumers and from taxpayers in respect of all agricultural products. The estimated total transfers associated with agricultural policies of selected OECD countries, as measured by the sum of transfers from taxpayers (net of budget receipts from tariffs) and consumers, are reported in table 15. Total transfers in the countries covered in the OECD estimates reached a peak in 1987 of $290.4 billion and since then have declined to $280.4 billion in 1988 and to $251.2 billion in 1989. The decrease in 1989 was due largely to a fall in transfers away from consumers and to a small decline in transfers from taxpayers.

Table 15

Total transfers associated with agricultural policies

(In billions of United States dollars)

Country	1986	1987	1988	1989
Australia	0.0	0.7	0.6	0.6
Austria	2.6	3.5	3.2	3.3
Canada	7.9	9.2	8.6	7.2
EC-12	102.9	115.9	108.8	97.5
Finland	4.8	5.3	6.0	6.0
Japan	54.1	63.3	65.9	57.8
New Zealand	0.9	0.1	0.2	0.1
Norway	2.7	3.3	3.4	3.3
Sweden	3.5	3.8	3.6	3.2
Switzerland	4.3	5.5	5.8	4.9
United States	88.1	80.0	74.3	67.2
Total	272.8	290.4	280.4	251.1

Source: As for table 12.

V. PROSPECTS FOR INCREASING THE SHARE OF DEVELOPING COUNTRIES IN WORLD AGRICULTURAL TRADE

62. The current Uruguay Round of multilateral negotiations under the auspices of GATT provides the framework in which efforts are currently being made to liberalize international trade in agricultural and tropical products. The elimination or reduction of governmental agricultural support measures and protection in industrialized countries could go a long way to improve the prospects for increasing the share of developing countries in world agricultural trade.

A. Developments in the Uruguay Round and some implications of trade liberalization

1. Tropical products

63. When Ministers met at Punta del Este, Uruguay, in September 1986, to start the new Round they agreed, inter alia, that the negotiations on tropical products should aim at the fullest liberalization of trade in those products, including in their processed and semi-processed forms. Both tariff and all non-tariff measures affecting trade in those products were to be covered in negotiations. In recognition of the importance of trade in tropical products to a large number of developing countries, they also agreed to give negotiations in this area special attention, including in the timing of the negotiations and in the implementation of the results.

64. Work in the Negotiating Group on Tropical Products has been based on the seven product groups selected for the purpose of the consultations on tropical products held in the GATT Committee on Trade and Development in the years 1982-1984 on the understanding that that would constitute neither a definition of tropical products nor an exhaustive listing and that other products might be included as negotiations proceed (see para. 44).

65. In the initial phase of negotiations, many developing countries emphasized problems of market access due to tariff escalation faced by many processed products, internal taxes and levies, quantitative restrictions, health and phytosanitary regulations and certain standards. Other participants felt that the achievement of the negotiating objective of fullest liberalization required improvement of market access to all markets and that greater participation in the negotiating process was desirable.

66. In the course of 1988, participants submitted offers, requests and/or elaborations of previous proposals, and two rounds of multilateral consultations covering the seven product groups were held in June 1988. Intensive negotiations took place in the second half of the year until immediately before the Round's mid-term review ministerial meeting, held at Montreal, Canada, in December 1988, with a view to achieving concrete results and their early implementation.

67. The Montreal mid-term meeting produced a set of specific results that contained negotiated contributions by Australia, Austria, Brazil, Canada, Central

American countries, Colombia, the European Communities, Finland, Japan, Malaysia, Mexico, New Zealand, Norway, the Philippines, Sweden, Switzerland and Thailand. The United States presented a list of contributions, which was confirmed after agreement was reached at the mid-term review on negotiations in agriculture. The package of Montreal contained contributions by developed countries on a MFN and/or GSP basis. Contributions by developing countries were based on trade liberalization measures already undertaken and to be taken affecting either tropical products or other products. The measures included in the Montreal package were to be implemented on a provisional basis for the duration of the Round and could be modified or withdrawn in the light of further developments in negotiations. Autonomous unilateral contributions have also been tabled since by other countries.

68. Ministers also agreed in Montreal to pursue negotiations on the seven product groups with due regard, inter alia, to the following elements: (a) the elimination of substantial reduction of duties on unprocessed products; (b) the elimination or substantial reduction of duties on semi-processed and processed products (such action would include the objective of eliminating or reducing tariff escalation); and (c) the elimination or reduction of all non-tariff measures affecting trade in tropical products. All participants agreed to engage in such negotiations and to make appropriate contributions.

69. In 1989, quantitative analysis of the "mid-term" preliminary offers indicated only minimum benefits for developing countries and, moreover, only for some of them. Developing countries noted that many tropical products, especially semi-processed and processed products, still faced barriers in major markets. They called for negotiations to proceed on the basis of the above-mentioned elements accepted in the mid-term agreement. Other participants felt that the procedure for the continuation of negotiations on tropical products should take into account the discussion on modalities in the negotiating group on tariffs and developments in the negotiating group on agriculture. Some developed country participants also maintained that developing countries should be called upon to make the same concessions in tropical products that the developed countries make.

70. In February 1990, the negotiating group on tropical products established detailed procedures and a timetable for the continuation of negotiations enabling participants to make further offers, including improvements of earlier proposals. By July 1990, about 45 participants had submitted offers on tropical products either as separate proposals to the negotiating group on tropical products or as part of their offers in other market-access areas. Some participants based their offers of tariff reductions on a formula approach utilizing, for example, the formula recommended by the Chairman of the Negotiating Group on Tariffs, or the EEC formula. (The formula recommended by the Chairman of the Negotiating Group on Tariffs is $R = 32 + D/5$ and that of the EEC is $R = D + 20$, where R is the percentage reduction to be made in a given tariff rate, and D is the given base or current tariff rate.) Participants that submitted proposals have held a number of meetings to review and access proposals as well as to discuss progress made so far in the negotiations in pursuance of the negotiating objective set at in the Punta del Este Declaration and the mid-term review decision on tropical products.

71. The July 1990 meeting of the Trade Negotiations Committee, held less than six months before the scheduled conclusion of the Uruguay Round, was expected to consider "profiles", or draft agreements, of the final package of results in all areas under negotiations. However, the reports of the negotiating groups represented more a compendium of positions, rather than draft agreements. As regards tropical products, although this was singled out in the Punta del Este Declaration as a priority area of negotiations, progress in this area has, however, been linked by some participants to developments in other access groups (for example, the negotiating groups on tariffs and non-tariff measures) and in agriculture. It therefore now appears that in this final phase of the negotiations, the process of improving offers on tropical products will depend also on progress in the negotiations on agriculture.

72. The revised offers of tariff concessions on tropical products (as at the end of July 1990) by major industrialized trading countries (including Australia, Austria, Canada, the EEC, Finland, Japan, New Zealand, Norway, Sweden, Switzerland and the United States) suggest the following direct trade effects:

(a) The improvement in market access corresponding to these offers would create additional trade (imports by the markets), in the products covered, amounting to about $US 746 million or about 3 per cent of the 1986 import value of such products by those markets;

(b) Only a third of the additional imports created (that is, $245 million) would come from developing countries, representing only a 1.7 per cent rise in their exports to those markets of the products covered. The remainder of the additional trade would accrue to the industrialized countries themselves;

(c) On an aggregate regional basis, the African region is the only one among the developing regions that experiences a net loss (approximately $US 118 million), about 3 per cent of its 1986 export value of covered products.

73. These results are explained by several factors. For one thing, the offers are made for the most part on an MFN basis. Therefore, in so far as certain products are also produced by industrialized countries (for example, processed tropical products) liberalization in the tropical products sector will bring benefits not only to the developing countries. Moreover, to the extent that developing countries already enjoy preferential tariff treatment on such products, liberalization on an MFN basis implies an erosion of preference margins; hence trade losses can be expected. In fact, for least developed countries that enjoy better than GSP treatment in some markets, even liberalization on a GSP basis would not bring additional trade benefits for such countries. A similar situation would apply to ACP countries with respect to the EEC market.

2. Agricultural products

74. The Punta del Este Declaration specifies that negotiations in the field of agriculture were to "aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under

strengthened and more operationally effective GATT rules and disciplines" (see E/1989/97, para. 65). For the first time in the long history of trade negotiations in GATT, negotiations on agriculture were given a central role. Moreover, the focus of these negotiations were not to be commodity-specific but rather devoted to seeking solutions to problems affecting the whole agricultural sector.

75. The initial phase of the negotiating process in the Negotiating Group on Agriculture identified four major problems affecting trade in agriculture, namely: (a) substantial imbalances between supply and demand for the main agricultural products, together with depressed prices in world markets and large stocks; (b) protectionism through the maintenance of support policies and measures that insulated domestic producers from the normal functioning of an international price mechanism, and through the high level of government intervention in agriculture world wide; (c) the lack of effective GATT rules and disciplines on agriculture and the unwillingness of many countries to agree to effective international disciplines to liberalize international agriculture trade; and (d) the adverse effects that sanitary and phytosanitary measures and barriers had on trade in agriculture.

76. In the course of the negotiations leading up to the Montreal mid-term review, four key issues dominated the discussions in the Negotiating Group:

(a) Short-term actions and their link, if any, to a long-term agreement;

(b) Identification of existing policies to be reduced or eliminated (such as non-tariff import restrictions and export subsidies), including the role for an aggregate measure of support (AMS);

(c) The linkages between agricultural policy and broader social welfare objectives, such as food security and economic development objectives, taking into account the particular needs and conditions of developing countries;

(d) The appropriate role of sanitary and phytosanitary regulations as non-tariff trade barriers.

77. Agriculture was one of four subject areas of the Uruguay Round in which agreement was not possible in the mid-term session of the Trade Negotiations Committee, held at the ministerial level in Montreal, in December 1988. However, following intensive consultations, agreements on the four subject areas were adopted by the Committee in April 1989, which enabled the Uruguay Round negotiations to be resumed. Specifically in the area of agriculture, a "framework approach" was agreed, covering interrelated long- and short-term elements and arrangements on sanitary and phytosanitary regulations.

78. As regards long-term reform, the objective is to establish a fair and market-oriented agricultural trading system and to provide for substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets. A work programme for the achievement of the long-term objective was established as follows:

(a) By December 1989, participants were invited to advance detailed proposals for the achievement of the long-term objective, including six specific areas: (i) the terms and use of an aggregate measurement of support (AMS); (ii) strengthened and more operationally effective GATT rules and disciplines; (iii) the modalities of special and differential treatment for developing countries; (iv) sanitary and phytosanitary regulation; (v) tariffication, decoupled income support, and other ways to adapt support and protection; and (vi) ways to take account of the possible negative effects of the reform process on net food-importing developing countries;

(b) By end of 1990 participants should agree on the long-term reform programme and the period of time for its implementation;

(c) Implementation of the first tranche of agreed commitments on the long-term reform programme should take place in 1991.

79. Concerning the short-term, during the remaining period of the Uruguay Round negotiations, current domestic and export support and protection levels in the agricultural sector are not to be exceeded. In particular, tariff and non-tariff barriers are not to be intensified and not to be extended to additional products, while support prices to producers are not to be raised. Developing countries are not expected to subscribe to the short-term commitments. Participants were required to notify their undertakings for fulfilling short-term commitments by October 1989.

80. As regards sanitary and phytosanitary regulations, the agreement reached in April 1989 endorsed harmonization of national regulations as a long-term goal and a work programme embodying seven specific objectives. These include the development of harmonization of sanitary and phytosanitary regulations and measures, on the basis of appropriate standards established by relevant international organizations, including the Codex Alimentarius Commission, the International Office of Epizootics and the International Plant Protection Convention, and strengthening of article XX of the GATT on General Exceptions so that measures taken to protect human, animal or plant life or health care where consistent with sound scientific evidence and use suitable principles of equivalency.

81. Concerning developing countries in particular, it was agreed in relation to long-term elements that:

(a) Special and differential treatment to developing countries remained an integral element of the negotiations, particularly on the strengthened and more operationally effective GATT rules and disciplines;

(b) Government measures on assistance, whether direct or indirect, to encourage agricultural and rural development were an integral part of the development programmes of developing countries;

(c) Ways should be developed to take into account the possible negative effects of the reform process on net food-importing developing countries.

82. Following the mid-term review in April 1989, the Negotiating Group on Agriculture held a number of sessions in 1989 to discuss proposals submitted, principally in relation to the long-term reform process. By the end of 1989, wide differences continued on both basic perceptions and specific elements of the long-term reform process. For instance, some participants considered that achievement of the agreed long-term objective should not imply the predetermination of specific goals regarding levels of government intervention or of a specific time horizon for the attainment of such goals (e.g. elimination of export subsidies and trade-distorting support measures). Some others, however, advocated the inclusion of specific goals and time horizons among the eventual commitments. Fundamental differences also continued regarding the importance to be attached to the objective of greater market orientation compared with non-trade factors, such as food security concerns, and on the appropriateness of various policy instruments for the achievement of non-trade objectives. Concerning the six specific areas addressed in the long-term reform proposals, there also remains a wide spectrum of views.

83. The work of the Negotiating Group on Agriculture in the first part of 1990 focused mainly on the elaboration and clarification of elements of the detailed proposals submitted by participants pursuant to the mid-term review decision. Aspects of the proposals of the United States, the European Community, the Cairns Groups and Japan dealing with internal support, border protection and export competition, of the net food-importing developing countries and the countries calling for due recognition of the importance of non-trade concerns (food security, environmental protection, etc.) were clarified with the aid of a number of questions. The process of formal and informal discussions associated with the clarification exercise gave a clearer idea of the possibilities of bringing positions closer together, for example on the disciplines to which certain internal support measures should be subjected, or on recourse to tariffication; they also showed large areas of divergence persisting, in particular in the field of export subsidies. The way in which specific concerns expressed by some participants would be taken into account within a global agreement was also discussed.

84. On the basis of this work, the Chairman of the Negotiating Group on Agriculture proposed, in June 1990, a draft text setting out a framework of modalities for the agricultural negotiations in the final phase of the Uruguay Round. While several participants expressed varying degrees of reservations regarding the Chairman's text, in July 1990, the Group agreed to use this text as a means for intensifying the negotiations.

85. The Chairman's text envisages the following modalities for reaching agreement on a reform programme in agriculture by December 1990:

(a) Substantive negotiations should get under way at end August 1990, aimed firstly at strengthening GATT rules and disciplines and making them more operationally effective;

(b) By 1 October 1990, all participants should table country lists on internal support, border protection and export competition according to a specified format or set of criteria. Offers of commitments should be submitted by 15 October 1990;

(c) Immediately thereafter negotiations will start on the amount and duration of the substantial and progressive reductions in support and protection, taking into account credits and debits accumulated in respect of actions taken since the beginning of the Uruguay Round;

(d) Negotiations on sanitary and phytosanitary regulations would proceed on the basis of the text prepared by the Working Group in that area;

(e) Special and differential treatment for developing countries, the situation of net food-importing developing countries and non-trade concerns such as food security should be included in line with the mid-term review agreement, and other concerns relevant to the reform process should be accommodated to the maximum extent possible;

(f) Arrangements for the surveillance of the implementation of the commitments negotiated on the basis of the framework should be agreed by the end of the negotiation. Similar arrangements would also be agreed upon to provide, as necessary, for review of certain aspects of commitments.

86. Given the remaining large number of unresolved issues and the wide differences of views, some observers doubt whether a package of meanfully reforms could be put together in the limited time left before the concluding Ministerial Meeting of the Uruguay Round scheduled for 3 to 7 December 1990 at Brussels. Other observers feel that compromises will eventually be made, but major differences are likely to be resolved only at the last minute during the concluding meeting in Brussels.

87. Several studies have been undertaken of the possible impact of the reform process in agriculture. 1/ In general, these studies suggest that one overall effect of liberalization in this sector would be an increase in the prices of basic food products, leading to higher terms of trade for exporters and lower terms of trade for importers of these products. As far as concerns developing countries, the net exporting countries will clearly benefit from higher prices, which would undoubtedly improve the profitability for the farming sector in some countries and reduce government expenditures on agricultural income support programmes in others, particularly the large exporters. More remunerative prices in the long run could also contribute to making domestic food production in food-deficit developing countries more attractive, provided such prices are passed on to the farmers and are complemented by institutional and infrastructural improvements. While a rise in food prices could be benficial in the long run, in the short run it would bring hardship, particularly to the poor. In the short run, high food prices would continue to increase pressure on the balance of payments of many food-deficit countries with serious consequences on the well-being of the poor, whose food intake is already inadequate. Therefore, it would be important that continued efforts be made in the developing countries to increase production of basic food wherever this is economically possible.

88. The possible consequences of the reform process in agriculture can be illustrated on the basis of results from a recent study. 2/ Table 16 shows the impact that can be expected on world prices of major agricultural products under four different scenarios of policy reform in major OECD agricultural trading

Table 16. Estimated change in world prices of agricultural products under alternative agricultural liberalization scenarios

(Increase in percentage)

Product	Scenario			
	Complete liberalization (PSE and CSE reduced to zero)	20 per cent reduction in producer support price	Export subsidy elimination	10 per cent increase in imports
Wheat	20.4	7.5	12.2	1.1
Maize	15.1	4.8	0.1	3.9
Rice	42.6	18.3	8.5	2.2
Sorghum	12.4	1.9	0.0	2.4
Soya beans	3.6	0.0	0.0	2.5
Soyabean oil	1.9	0.1	0.0	0.0
Beef and veal	12.5	13.0	11.1	1.6
Sugar	26.5	10.6	0.9	4.3

nations, including Australia, Canada, EEC, Japan and the United States. The scenarios are: (a) complete liberalization, implying the elimination of all internal support and protection, (b) a 20 per cent reduction in producer price support, (c) export subsidy elimination, and (d) a 10 per cent increase in imports, as a minimum access commitment.

89. Among the grains, it is the world price of rice that increases the most when the policy change consists of reducing support to producers either by complete liberalization or by a 20 per cent reduction in the producer support price. However, if only export subsidies are eliminated (domestic support systems remaining in place) wheat has the biggest price increase, followed by beef and rice, while the increase in world sugar and maize prices would be only marginal. The rise in prices would be moderate under the assumption of an increase in imports of each of the policy countries by 10 per cent, whether through quota increases or otherwise.

90. At the national level changes in world prices and in the balance between domestic supply and demand are reflected in changes in the value of production and net trade. The net foreign exchange and welfare impacts 3/ on developing countries of these changes in world prices are given in table 17 by region. The gains or losses are expressed in United States dollars, based on the 1985-1987 average world market price of each product. Aggregation of the results for individual countries

Table 17. Estimated net foreign exchange and welfare impact on developing countries under different scenarios: summary by region

(Millions of 1985-1987 dollars)

Region	Scenario							
	Complete liberalization		20 per cent reduction in producer support price		Export subsidy elimination		10 per cent increase in imports	
	Foreign exchange earnings	Welfare change	Foreign exchange earnings	Welfare change	Foreign exchange earnings	Welfare change	Foreign exchange earnings	Welfare change
Africa	-699	-953	-280	-402	-256	-359	-45	-67
Latin America and Caribbean	984	224	456	152	262	37	192	87
Asia and Pacific	428	-483	145	-225	-89	-332	19	-60
Total	713	-1 212	321	-475	-83	-654	166	-40

should be interpreted with caution, since, whereas arithmetically pluses and minuses offset each other, in reality the gains of one country cannot be used to offset the losses of another. The aggregate figures therefore provide only a rough indication of the extent of the net outcome at the regional level. It is necessary to look at the situation of individual countries to determine those that gain and those that lose and the extent of their gains or losses.

91. With this caveat in mind, the regional results reported in table 17 indicate that when the agricultural sector is completely liberalized, or the level of assistance is reduced by 20 per cent in the major OECD agricultural trading countries, the resulting increase in world prices would lead to a net loss of foreign exchange (i.e. a higher import bill) for the African region but to net foreign exchange gains for Latin American and the Caribbean and for the Asian and Pacific regions. The corresponding welfare changes would be positive for Latin America and the Caribbean, but negative for Africa, Asia and the Pacific. When

only export subsidies are eliminated, the African region would again be a net loser both of foreign exchange and welfare, as would also Asian and Pacific countries. Latin America and the Caribbean, by contrast, would gain on both accounts. Finally, under the scenario of an exogenous increase of 10 per cent in the volume of imports in each of the policy countries, the African region is again a net loser on both accounts, Asia and the Pacific experience net gains in foreign exchange but net loss in welfare terms, and Latin America and the Caribbean would again gain on both accounts.

B. Conclusions

92. The implications of the Uruguay Round for world agricultural trade could be substantial, as the results of the Round are likely to set the framework for agricultural trade relations for years to come. The phasing out of agricultural protection in the industrialized countries could have a dynamic impact on the evolution of agricultural production in developing countries and could provide the latter with a long-term opportunity to expand their earnings from agricultural exports. This is in the interest of the majority of commodity-dependent developing countries, which are net exporters of agricultural products (including tropical products) and would gain in both the short term and the long term.

93. The transitional period points, however, to difficulties for some developing countries that would need to be addressed. In tropical products, as empirical studies have indicated, the erosion of trade preferences could lead to substantial losses for some developing countries, especially African and least developed countries. In addition, an important finding of several major studies of the impact of trade liberalization in agriculture is that there would be an increase, at least for a transitional period, in world prices of basic foodstuffs such as grains, livestock products and edible oils. Thus, for some net food-importing countries there are likely to be difficulties, at least in the short run, as a result of higher food import costs. Empirical analysis suggests that Africa is likely to be the hardest hit in terms of both foreign exchange and welfare loss. Asia and the Pacific would also suffer a loss of welfare but not in foreign exchange. These eventualities point to the need to adopt accompanying (compensatory) measures to offset the negative effects of the trade liberalization process on such countries.

94. Finally, because agriculture plays an important development role in nearly all developing countries, these countries will need to retain some tariffs as well as some assistance to their agricultural sectors that further long-term development. Hence, in new GATT rules and disciplines on agriculture developing countries will need to be accorded appropriate special and differential treatment, including more flexibility in the use of domestic measures to stabilize and support the production of major staples.

Notes

1/ For example, see: K. Anderson and R. Tyers, "Liberalizing OECD Agricultural Policies in the Uruguay Round: Effects on Trade and Welfare", Journal of Agricultural Economics, 39 (2), May 1988; K. S. Parikh, G. Fischer, K. Frohberg and O. Gulbrandsen, Towards Free Trade in Agriculture, Amsterdam: Mortimers Nijhoff for IIASA, 1988; V. O. Ronningen and P. M. Dixit, Economic Implications of Agricultural Policy/Reform in Industrial Market Economies, ERS Staff Report, Washington D.C.: United States Department of Agriculture, August 1989; I. Goldin and O. Knudsen, eds., Agricultural Trade Liberalization: implications for developing countries, Paris: OECD, 1990; and UNCTAD/UNDP/WIDER, Agricultural Trade Liberalization in the Uruguay Round: Implications for Developing Countries, New York: United Nations, 1990.

2/ See, UNCTAD/UNDP/WIDER, Agricultural Trade Liberalization in the Uruguay Round: Implications for Developing Countries, op. cit.

3/ The net foreign exchange impact refers to the change in net export earnings (positive) or in the net import bill (negative), as the case may be. The welfare impact is the sum of the consumer surplus, the producer surplus and the change in government tariff and tax revenue for each product. The consumer surplus is the change that would return the consumer to his initial standard of living following a given price change - estimated as the area under the (Marshallian) demand curve between the initial price and the new price. The producer surplus is the change in profits of the producer estimated by the area above the supply curve between the initial price and the new price.